



The Quiet Exit: From Landlord to Limited Partner

A Strategic Guide for Experienced Property Owners
Considering Structural Transition



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1. Executive Summary

Many rental property owners reach a point where their portfolios are financially successful but structurally inefficient. Equity becomes concentrated in a handful of assets, management demands increase, tax exposure grows with each disposition, and flexibility declines as capital becomes locked in place. The portfolio that once represented financial freedom begins to feel more like a constraint.

Traditional exit paths — selling outright, refinancing to extract equity, or engaging third-party property managers — often solve one problem while creating others. Selling triggers immediate tax liabilities and forces owners out of real estate entirely. Refinancing adds leverage without addressing concentration risk. Outsourcing management reduces day-to-day involvement but does nothing to improve structural durability or estate planning complexity.

This paper explores an alternative approach increasingly used by experienced property owners in Canada: transitioning from direct property ownership into a professionally managed real estate fund through asset contributions rather than outright sales. This structure allows owners to maintain meaningful exposure to real estate while improving diversification, governance, liquidity planning, and long-term durability.

Using the CORE Investment Fund — a Canadian limited partnership focused on institutional-quality multifamily real estate in Western Canada — as a reference model, this paper outlines:

- Why structural inefficiency, rather than asset performance, often drives the need for change
- The hidden risks that accumulate in concentrated, directly owned portfolios
- How real estate funds operate and why they may offer structural advantages
- The mechanics of contributing assets into a fund structure using tax-deferral mechanisms
- Why multifamily assets are particularly well-suited to this transition
- When single-family portfolios may also benefit from platform ownership
- Key questions owners should ask before pursuing any structural transition

This is not a marketing document. The CORE Investment Fund is presented as one example of how this structure can work, not as the only or best option. The goal is to educate experienced owners on a transition path that may align with their long-term objectives, particularly when concentration risk, management fatigue, or estate complexity have become material concerns.

For many owners, this is not an exit from real estate. It is a transition away from the operational and structural burdens of direct ownership — a quiet exit from being a landlord, and a deliberate entry into the role of limited partner.

2. The Problem Isn't the Property — It's the Structure

Most long-term landlords did not set out to build operating businesses. They bought a rental property, then another, and over time assembled a portfolio that generated income and appreciated in value. The properties performed well. The strategy worked.

But somewhere along the way, the structure became the problem.

What began as a passive investment evolved into a management-intensive enterprise. Equity became trapped in a small number of assets. Decision-making flexibility declined. The portfolio that once represented financial independence began to feel more like a constraint.

This is not a failure of real estate as an asset class. It is a natural consequence of how most portfolios are built: organically, incrementally, and without a long-term structural plan.

The Organic Growth Problem

Real estate portfolios rarely follow a master plan. Owners acquire properties opportunistically — when capital is available, when a good deal appears, when market conditions align. Over time, this results in:

- Concentration in a small number of assets, often in the same geographic market
- A mix of property types, vintages, and management intensities
- Inconsistent financing structures across properties
- Equity distributed unevenly, with some properties carrying significant unrealized gains
- No clear succession or exit plan

Each property may perform well individually, but the portfolio as a whole lacks coherence. There is no unified governance, no professional oversight, and no mechanism for rebalancing or strategic capital allocation.

When Success Becomes a Structural Burden

The irony is that these structural problems often emerge precisely because the portfolio has been successful. Properties appreciate, equity grows, and the owner becomes increasingly invested — both financially and operationally — in a small number of assets.

This creates several compounding challenges:

Equity Concentration: A portfolio worth several million dollars may consist of only three or four properties. A single vacancy, capital expense, or market downturn in one asset can materially impact overall portfolio performance.

Management Dependence: Even with property managers in place, owners remain the ultimate decision-makers. Leasing decisions, capital expenditures, financing renewals, and tenant disputes all require owner involvement. The portfolio is not truly passive.

Tax Lock-In: Unrealized capital gains create a disincentive to sell. Disposing of a property triggers immediate tax liabilities, reducing net proceeds and limiting reinvestment flexibility. Owners become structurally locked into their existing holdings.

Estate Complexity: Passing a portfolio of directly owned properties to the next generation is administratively complex and often tax-inefficient. Heirs may not want to be landlords, but liquidating the portfolio triggers significant tax consequences.

Capital Inefficiency: Equity sits idle in properties that may no longer represent the best risk-adjusted opportunities. Redeploying that capital requires selling, which triggers taxes, or refinancing, which adds leverage and increases risk.

The Realization

At some point, many experienced owners come to a realization: the properties are fine, but the structure is not. The portfolio has become operationally burdensome, financially inflexible, and difficult to transition or exit.

This is the moment when owners begin exploring alternatives — not because they want to leave real estate, but because they want to remain in real estate in a more durable, professionally managed, and structurally sound way.

3. The Hidden Risks of Staying Put

Most property owners focus on market risk — the possibility that property values decline, rents fall, or vacancies rise. These risks are visible, measurable, and widely discussed.

But for mature portfolios, structural risks often matter more. These risks are less obvious, harder to quantify, and tend to compound quietly over time. They do not appear on financial statements, but they can be just as consequential as a market downturn.

Concentration Risk

A portfolio of three or four properties is not diversified, even if the properties are in different neighborhoods. A single adverse event — a major tenant departure, an unexpected capital expense, a localized economic downturn — can materially impact overall portfolio performance.

Concentration risk is particularly acute in portfolios where equity is unevenly distributed. If 60% of total portfolio value is tied to a single property, that property's performance disproportionately determines the owner's financial outcome.

Diversification is not just about owning multiple properties. It is about ensuring that no single asset, market, or tenant relationship represents an outsized share of total risk.

Management and Key Person Risk

Even with professional property managers in place, most portfolios depend heavily on the owner's involvement. Leasing decisions, capital planning, financing renewals, and strategic direction all flow through the owner.

This creates key person risk. If the owner becomes unable or unwilling to manage the portfolio — due to health issues, burnout, or competing priorities — the portfolio's performance may suffer. There is no institutional continuity, no succession plan, and no professional governance structure to ensure consistent decision-making.

For owners approaching retirement or considering estate planning, this risk becomes material. The portfolio may be financially valuable, but it is operationally fragile.

Capital Intensity and Liquidity Constraints

Real estate is capital-intensive. Properties require ongoing maintenance, periodic renovations, and occasional major capital expenditures. Financing must be renewed or refinanced. Vacancies create temporary cash flow gaps.

In a small portfolio, these capital demands can be difficult to manage. Owners may need to inject personal capital, refinance properties to extract equity, or defer necessary improvements. There is no pooled capital reserve, no institutional credit facility, and no mechanism for cross-collateralizing assets to improve financing terms.

Liquidity is similarly constrained. Selling a property takes months, involves significant transaction costs, and triggers immediate tax liabilities. Owners cannot easily adjust their exposure or rebalance their portfolios without incurring material friction costs.

Estate and Succession Complexity

Passing a portfolio of directly owned properties to the next generation is administratively complex and often tax-inefficient. Each property may be held in a different legal structure, financed differently, and subject to different tax treatment.

Heirs may not want to be landlords. They may lack the expertise, interest, or time to manage rental properties. But liquidating the portfolio triggers significant capital gains taxes, reducing the net value transferred to the next generation.

Even if heirs do want to retain the properties, coordinating decision-making among multiple beneficiaries can be challenging. There is no governance structure, no clear decision-making authority, and no professional management layer to ensure continuity.

The Compounding Effect

These risks do not exist in isolation. They compound over time and interact with one another. Concentration risk increases management burden. Management burden reduces flexibility. Lack of flexibility increases estate complexity. Estate complexity creates pressure to sell, which triggers tax liabilities, which further reduces flexibility.

For many experienced owners, the realization is not that any single risk is unmanageable, but that the cumulative weight of these structural inefficiencies has become a material constraint on long-term wealth preservation and intergenerational transfer.

4. Traditional Exit Paths — and Their Limitations

When owners recognize that their portfolio structure has become a constraint, they typically consider four traditional options: selling outright, refinancing to extract equity, outsourcing management, or gradually divesting properties over time.

Each approach addresses certain symptoms, but none fully solves the underlying structural problem.

Option 1: Sell Everything

Selling the entire portfolio provides immediate liquidity and eliminates management responsibilities. It is a clean exit.

But it comes with significant drawbacks:

- Immediate tax liability on all unrealized capital gains, often resulting in a substantial reduction in net proceeds
- Loss of ongoing income and future appreciation potential
- Forced exit from real estate as an asset class, even if the owner still believes in its long-term value
- Reinvestment risk — deploying proceeds into alternative investments may not replicate the risk-return profile of the original portfolio

For owners who want to remain invested in real estate but improve their portfolio structure, selling is not a solution — it is an abandonment of the asset class.

Option 2: Refinance to Extract Equity

Refinancing allows owners to extract equity without selling. It provides liquidity while maintaining ownership and avoiding immediate tax consequences.

But refinancing does not address structural inefficiency:

- Concentration risk remains unchanged — equity is still tied to a small number of assets
- Leverage increases, which amplifies both upside and downside risk
- Debt service obligations rise, reducing cash flow and increasing financial fragility
- Management burden persists — the owner is still responsible for all operational decisions

Refinancing is a liquidity tool, not a structural solution. It may provide short-term relief, but it does not improve diversification, governance, or long-term durability.

Option 3: Outsource Management

Hiring a professional property manager reduces day-to-day operational involvement. It can free up time and reduce management burden.

But outsourcing management does not change the underlying structure:

- The owner remains the ultimate decision-maker for capital expenditures, financing, and strategic direction
- Concentration risk, estate complexity, and tax lock-in remain unaddressed
- Property managers are agents, not fiduciaries — their incentives may not fully align with the owner's long-term objectives
- Quality and consistency of third-party management can vary significantly

Outsourcing management is a tactical improvement, not a strategic transformation. It reduces operational burden but does not fundamentally change the portfolio's structural characteristics.

Option 4: Gradual Divestment

Some owners choose to sell properties gradually over time, spreading tax liabilities across multiple years and reducing portfolio concentration incrementally.

This approach has merit, but it is slow, administratively complex, and still results in a forced exit from real estate:

- Each sale triggers a taxable event, reducing net proceeds
- The owner must actively manage the remaining properties during the transition period
- Reinvestment decisions must be made repeatedly, each time with transaction costs and tax consequences
- The end result is still a full exit from direct real estate ownership

Gradual divestment may be appropriate for owners who genuinely want to exit real estate entirely. But for those who want to remain invested while improving structure, it is a slow and inefficient path.

The Common Thread

All four traditional approaches share a common limitation: they treat the symptoms of structural inefficiency without addressing the root cause. They provide liquidity, reduce management burden, or spread tax liabilities, but they do not fundamentally improve diversification, governance, or long-term durability.

For owners seeking a structural solution — one that allows them to remain invested in real estate while improving portfolio quality and reducing operational complexity — a different approach may be warranted.

5. The Real Estate Fund Model (Explained Simply)

A real estate fund is a pooled investment vehicle that acquires, manages, and operates a portfolio of properties on behalf of multiple investors. Rather than owning properties directly, investors own units or shares in the fund, which in turn owns the underlying real estate assets.

This structure shifts ownership from individual assets to a diversified platform with professional governance, institutional-quality reporting, and centralized asset management.

How It Works

In a typical real estate fund structure:

1. The fund is established as a legal entity, often a limited partnership or trust.
2. Investors contribute capital (or, in some cases, contribute properties directly) in exchange for ownership units.
3. The fund uses this capital to acquire and manage a portfolio of real estate assets.
4. Professional asset managers oversee property operations, capital planning, financing, and strategic decision-making.
5. Investors receive distributions from rental income and participate in any appreciation when properties are sold or refinanced.
6. Governance is formalized through a limited partnership agreement or trust deed, which defines decision-making authority, distribution policies, and investor rights.

The fund operates as a single, unified platform rather than a collection of individually owned properties. This creates several structural advantages.

Key Structural Advantages

Diversification: A fund can hold dozens or even hundreds of properties across multiple markets, property types, and tenant profiles. This reduces concentration risk and smooths performance volatility.

Professional Management: Funds are managed by experienced teams with specialized expertise in acquisitions, asset management, financing, and disposition. Investors benefit from institutional-quality oversight without needing to be involved in day-to-day operations.

Governance and Continuity: Funds operate under formal governance structures with defined roles, responsibilities, and decision-making processes. This ensures continuity even if individual investors exit or circumstances change.

Capital Efficiency: Funds can pool capital to pursue larger, higher-quality assets that individual investors could not access alone. They can also negotiate better financing terms due to scale and institutional credibility.

Simplified Estate Planning: Investors own units in a single legal entity rather than multiple individual properties. This simplifies estate planning, reduces administrative complexity, and facilitates intergenerational wealth transfer.

Passive Ownership: Investors are not responsible for property management, tenant relations, capital expenditures, or financing decisions. They receive distributions and periodic reporting but are not operationally involved.

The Canadian Limited Partnership Structure

In Canada, real estate funds are often structured as limited partnerships. This structure provides several benefits:

- **Flow-through taxation:** Income and capital gains flow through to investors and are taxed at the individual level, avoiding double taxation.
- **Limited liability:** Limited partners are not personally liable for the partnership's debts or obligations beyond their invested capital.
- **Flexibility:** The partnership agreement can be tailored to accommodate different investor objectives, distribution preferences, and governance arrangements.
- **Institutional credibility:** Limited partnerships are widely recognized and accepted by lenders, regulators, and institutional investors.

The general partner (GP) manages the fund and makes operational decisions. Limited partners (LPs) provide capital and receive distributions but do not participate in day-to-day management.

Who Invests in Real Estate Funds?

Real estate funds attract a wide range of investors, including:

- High-net-worth individuals seeking diversified real estate exposure without direct management responsibilities
- Family offices looking to consolidate and professionalize their real estate holdings
- Institutional investors such as pension funds, endowments, and insurance companies
- Experienced property owners transitioning from direct ownership to a more passive, professionally managed structure

For the last group — experienced owners seeking structural transition — the fund model offers a way to remain invested in real estate while addressing the inefficiencies and risks inherent in direct ownership.

6. Contributing Assets Instead of Selling Them

One of the most compelling features of certain real estate fund structures is the ability for property owners to contribute their existing assets directly into the fund, rather than selling them outright.

This approach may allow owners to transition from direct ownership to fund ownership while potentially deferring immediate tax liabilities, subject to proper structuring and professional advice, and maintaining exposure to real estate.

How Asset Contributions Work

In a typical asset contribution transaction:

1. The owner transfers legal title of one or more properties to the fund.
2. In exchange, the owner receives ownership units in the fund equal to the net equity value of the contributed properties.
3. The transaction may be structured to defer capital gains taxes, subject to professional advice, typically using Section 85 of the Income Tax Act (Canada), which can allow for a tax-deferred rollover under appropriate circumstances of property into a corporation or partnership.
4. The fund assumes any existing financing on the properties or refinances them as part of the transaction.
5. The owner becomes a limited partner in the fund, with the same rights and obligations as other investors.

A key advantage of this approach is that it is often designed to defer immediate tax recognition, subject to individual circumstances and proper structuring. Instead, the tax liability is deferred until the fund eventually sells the property or the owner redeems their units.

Section 85 Rollover: A Brief Overview

Section 85 of the Income Tax Act may allow taxpayers to transfer property to a Canadian corporation or partnership on a tax-deferred basis, subject to meeting certain statutory conditions and requirements.

In the context of real estate fund contributions:

- The property is transferred at an elected value, typically equal to the adjusted cost base (ACB) or a value that minimizes immediate tax consequences.
- The owner receives consideration in the form of partnership units, which inherit the tax attributes of the contributed property.
- Capital gains taxes are deferred until a future disposition event occurs.
- The transaction must be properly documented and filed with the Canada Revenue Agency (CRA).

This mechanism is widely used in corporate reorganizations, estate planning, and real estate fund structuring. It is not a loophole or aggressive tax strategy — it is a standard provision of Canadian tax law designed to facilitate business transitions without triggering unnecessary tax friction.

That said, Section 85 rollovers are complex and must be executed correctly. Owners considering this approach should work closely with qualified tax advisors to ensure compliance and optimize the transaction structure.

Why This Matters for Property Owners

For owners with significant unrealized capital gains, the potential to structure contributions with deferred tax recognition, subject to proper advice and execution, can be valuable. It allows them to:

- Potentially defer immediate tax liabilities when transitioning from direct ownership to fund ownership, subject to proper structuring and professional advice
- Maintain exposure to real estate and participate in future appreciation
- Improve diversification by exchanging concentrated holdings for units in a diversified fund
- Reduce management burden by shifting operational responsibilities to professional asset managers
- Simplify estate planning by consolidating multiple properties into a single investment vehicle

This is not an exit from real estate. It is a structural transition that preserves the owner's economic interest while fundamentally improving the portfolio's durability, governance, and long-term viability.

What Happens to the Properties?

Once contributed to the fund, the properties become part of the fund's portfolio. They are managed according to the fund's investment strategy, which may include:

- Continuing to operate the properties as rental assets, generating income for all fund investors
- Implementing capital improvements or repositioning strategies to enhance value
- Refinancing to optimize leverage and improve capital efficiency
- Eventually selling the properties as part of the fund's normal portfolio turnover, with proceeds reinvested into new acquisitions

The contributing owner no longer has direct control over these decisions. That authority rests with the fund's general partner and asset management team. But the owner benefits from professional oversight, institutional governance, and the diversification that comes from being part of a larger portfolio.

Not Every Property Is a Good Fit

Not all properties are suitable for contribution into a fund. Funds typically have investment criteria and quality standards that contributed assets must meet. These may include:

- Minimum property size or unit count
- Geographic location within the fund's target markets
- Property condition and capital expenditure requirements
- Tenant quality and lease structure
- Alignment with the fund's overall investment strategy

Owners considering this path should expect a thorough due diligence process, similar to what would occur in a traditional sale transaction. The fund will evaluate the property's financial performance, physical condition, legal status, and strategic fit before accepting it into the portfolio.

7. Why This Structure Works Especially Well for Multifamily

While the fund model can work for various property types, it is particularly well-suited to multifamily residential real estate. The characteristics of multifamily assets — scale, operational complexity, capital intensity, and financing requirements — align naturally with the strengths of a professionally managed fund platform.

Scale and Operating Efficiency

Multifamily properties benefit significantly from scale. Larger buildings or portfolios of buildings allow for:

- Centralized property management with dedicated on-site staff
- Bulk purchasing of maintenance supplies and services
- More efficient capital planning and preventive maintenance programs
- Better tenant retention through professional leasing and resident services

A fund that owns multiple multifamily properties can achieve operating efficiencies that individual owners cannot. Shared management infrastructure, centralized accounting, and portfolio-level vendor relationships all contribute to lower operating costs and improved net operating income.

Access to Institutional Financing

Multifamily properties are the most liquid and widely financed asset class in commercial real estate. Lenders view them as lower-risk than other property types due to diversified tenant bases and relatively stable cash flows.

A fund with a portfolio of multifamily assets can access:

- Lower interest rates due to scale and institutional credibility
- Longer loan terms and more favorable amortization schedules
- Portfolio-level financing that cross-collateralizes multiple properties
- Relationships with institutional lenders, including CMHC-insured financing in Canada

Individual owners, particularly those with smaller portfolios, often cannot access these financing advantages. By contributing properties into a fund, they benefit from the fund's institutional relationships and financing capabilities.

Capital Planning and Reserves

Multifamily properties require ongoing capital expenditures — roof replacements, HVAC upgrades, unit renovations, and common area improvements. These expenses are predictable in aggregate but lumpy and difficult to manage at the individual property level.

A fund can maintain centralized capital reserves and plan expenditures across the entire portfolio. This allows for:

- More efficient allocation of capital to the highest-return projects
- Bulk purchasing and contractor relationships that reduce costs
- Proactive rather than reactive maintenance, which extends asset life and reduces long-term costs
- Smoother cash flow management, as capital expenditures are spread across multiple properties

Individual owners often struggle with capital planning, particularly when multiple properties require major expenditures simultaneously. A fund structure solves this problem through pooled reserves and professional asset management.

Tenant Diversification

A single multifamily property with 50 units has 50 separate tenant relationships. A fund with 10 such properties has 500. This level of diversification significantly reduces the impact of any single vacancy or tenant default.

For individual owners, a single problem tenant or unexpected vacancy can materially impact cash flow. In a fund structure, these issues are absorbed across a much larger tenant base, resulting in more stable and predictable income.

Institutional-Quality Assets

Funds typically focus on institutional-quality multifamily assets, referring to properties that meet rigorous underwriting standards, governance requirements, and professional asset management criteria — including well-located properties with strong fundamentals. These properties tend to:

- Attract higher-quality tenants with lower turnover
- Require less deferred maintenance and capital expenditure
- Command premium rents due to location and amenities
- Appreciate more consistently over time

Individual owners often own a mix of asset qualities, including older or more management-intensive properties. By contributing properties into a fund (or investing capital alongside contributed assets), owners gain exposure to a higher-quality, more consistent portfolio.

Why Western Canada?

The CORE Investment Fund focuses specifically on Western Canada — British Columbia, Alberta, and Saskatchewan. This geographic focus reflects several structural advantages:

- Strong population growth driven by interprovincial migration and immigration
- Diversified regional economies with exposure to natural resources, technology, and services
- Relatively affordable housing markets compared to Toronto and Vancouver, supporting rental demand
- Favorable landlord-tenant regulations in certain provinces, particularly Alberta
- Institutional-quality multifamily supply concentrated in major urban centers

By focusing on this region, CORE can build deep local expertise, strong property management relationships, and a diversified portfolio across multiple high-growth markets.

8. Single-Family Portfolios: When It Can Still Make Sense

While multifamily assets are the natural fit for fund structures, certain single-family portfolios may also benefit from this transition — particularly if they meet specific criteria related to scale, location, and management efficiency.

The Single-Family Challenge

Single-family rental properties are inherently more management-intensive than multifamily assets. Each property has:

- A single tenant relationship, creating binary occupancy risk (either 100% occupied or 100% vacant)
- Separate maintenance and capital expenditure requirements
- Individual financing arrangements
- Dispersed geographic locations, increasing travel time and management complexity

These characteristics make single-family portfolios less efficient to operate at scale and less attractive to institutional investors. As a result, most real estate funds focus exclusively on multifamily or other commercial property types.

When Single-Family Portfolios May Fit

That said, certain single-family portfolios may still be suitable for contribution into a fund structure, particularly if they exhibit the following characteristics:

Scale: A portfolio of 20 or more single-family properties begins to achieve some operational efficiencies. Centralized management, bulk purchasing, and portfolio-level financing become more feasible.

Geographic Concentration: Properties located in the same city or region are easier to manage than widely dispersed holdings. A fund can deploy local property management teams and service providers more efficiently.

Consistent Quality: A portfolio of similar properties — same vintage, similar condition, comparable neighborhoods — is easier to underwrite, finance, and manage than a heterogeneous collection of assets.

Strong Fundamentals: Properties in high-demand rental markets with strong tenant demand, low vacancy rates, and favorable landlord-tenant regulations are more attractive to funds.

The Transition Path for Single-Family Owners

For single-family portfolio owners considering this transition, the path is often more gradual than for multifamily owners. A typical approach might include:

1. Contributing the single-family portfolio into the fund using a potentially tax-deferred structure, subject to professional advice, receiving units in exchange.
2. The fund continues to operate the single-family properties as rental assets, generating income for all investors.
3. Over time, as properties are sold or refinanced, the fund redeploys capital into multifamily or other institutional-quality assets.
4. The contributing owner's exposure gradually shifts from single-family to multifamily, improving diversification and reducing management intensity.

This approach allows owners to transition structurally without forcing immediate asset sales or triggering tax liabilities. The portfolio evolves over time, becoming more diversified and professionally managed.

Realistic Expectations

Single-family portfolios will not receive the same valuation multiples or financing terms as institutional-quality multifamily assets. Funds will underwrite them conservatively, reflecting the higher management intensity and lower liquidity.

Owners should expect:

- A thorough due diligence process, including property inspections, title reviews, and financial analysis
- Valuation based on net operating income and comparable sales, with adjustments for deferred maintenance or capital needs
- A longer transition period as the fund gradually rebalances the portfolio toward multifamily assets
- Ongoing communication and transparency about the fund's strategy and timeline

For owners whose primary goal is structural improvement — reducing concentration, eliminating management burden, simplifying estate planning — this path can still be highly effective, even if the portfolio is not purely multifamily.

9. Hypothetical Example (Clearly Labeled)

The following is a hypothetical example designed to illustrate how an asset contribution transaction might work in practice. It is not based on any actual investor or transaction. All figures, property details, and outcomes are illustrative only and should not be interpreted as projections, promises, or typical results.

The Owner's Situation

Sarah is a 58-year-old property owner in Calgary, Alberta. Over the past 25 years, she has built a portfolio of four multifamily properties:

- Property A: 24-unit building, purchased in 2000 for \$1.2M, current market value \$4.5M
- Property B: 18-unit building, purchased in 2005 for \$1.5M, current market value \$3.8M
- Property C: 30-unit building, purchased in 2010 for \$2.8M, current market value \$5.2M
- Property D: 12-unit building, purchased in 2015 for \$1.8M, current market value \$2.9M

Total portfolio value: \$16.4 million. Total debt: \$6.2 million. Net equity: \$10.2 million.

Sarah's properties generate strong cash flow and have appreciated significantly. But she is increasingly concerned about:

- Concentration risk — 62% of her net worth is tied to four properties in one city
- Management burden — she spends 15-20 hours per week dealing with tenant issues, maintenance, and financing renewals
- Tax lock-in — selling any property would trigger substantial capital gains taxes
- Estate planning — her children have no interest in being landlords, but liquidating the portfolio would result in significant tax erosion

The Transition

After consulting with her accountant and legal advisor, Sarah decides to explore contributing her properties into the CORE Investment Fund. She meets with the fund's management team, who conduct due diligence on her properties and determine that all four meet the fund's investment criteria.

The transaction may be structured as follows:

1. Sarah transfers legal title of all four properties to the CORE Investment Fund.
2. The fund assumes the existing \$6.2 million in debt.
3. Sarah receives units in the fund reflecting her \$10.2 million in net equity.
4. The transaction may be structured as a Section 85 rollover, subject to professional advice, potentially deferring capital gains taxes until Sarah eventually redeems her units or the fund sells the properties.

5. Sarah becomes a limited partner in the fund, with the same rights and obligations as other investors.

The Outcome

After the transaction:

- Sarah no longer owns the properties directly. She owns units in a fund that owns her former properties plus dozens of other multifamily assets across Western Canada.
- Her exposure to Calgary real estate has decreased substantially as her equity is now spread across the fund's diversified portfolio.
- She receives distributions from the fund based on its overall performance, not just the performance of her contributed properties.
- She no longer manages tenants, maintenance, or financing. The fund's professional asset management team handles all operational decisions.
- Her estate planning is simplified — her children will inherit units in a single investment vehicle rather than four separate properties.
- The structure is designed to defer capital gains taxes, subject to proper implementation, preserving her full \$10.2 million in equity for continued investment in real estate.

What Sarah Gave Up

This transition is not without trade-offs. Sarah no longer has:

- Direct control over her former properties — the fund's management team makes all operational and strategic decisions
- The ability to sell individual properties at her discretion
- Exposure solely to Calgary real estate — her returns now depend on the fund's entire portfolio
- The potential upside from a single property significantly outperforming the market

For Sarah, these trade-offs are acceptable. She values diversification, professional management, and structural simplicity more than direct control or the possibility of outsized returns from a single asset.

Important Reminder

This example is hypothetical and illustrative only. Actual transactions will vary based on property characteristics, market conditions, tax circumstances, and fund-specific policies. No two situations are identical, and outcomes will differ. Owners considering this path should conduct thorough due diligence and consult with qualified advisors before proceeding.

10. Why Structure Often Matters More Than Returns

For experienced property owners, the conversation about transitioning to a fund structure often begins with a question: 'Will I make more money?'

It is a reasonable question, but often the wrong one.

The primary value of this transition is not incremental return improvement. It is structural durability, risk reduction, and long-term sustainability. For owners whose portfolios are already performing well, the goal is not to maximize returns — it is to preserve wealth, reduce fragility, and ensure that the portfolio can endure across generations.

The Limits of Return Optimization

Most mature real estate portfolios already generate solid returns. Properties are well-located, tenants are stable, and financing is in place. There may be opportunities for incremental improvement — raising rents, reducing expenses, refinancing at better terms — but the low-hanging fruit has been picked.

At this stage, further return optimization often requires:

- Taking on more leverage, which increases risk
- Pursuing value-add or development projects, which require time, expertise, and capital
- Concentrating further in high-growth markets, which increases geographic risk
- Deferring capital expenditures, which may boost short-term cash flow but erode long-term value

For owners approaching retirement or focused on wealth preservation, these strategies may not be appropriate. The marginal benefit of higher returns is outweighed by the increased risk and complexity.

What Structure Provides

A well-structured fund offers benefits that are difficult to quantify but deeply valuable:

Durability: The fund operates under formal governance with professional oversight. It does not depend on any single individual's involvement or decision-making. It can endure across decades and generations.

Alignment: The fund's general partner and asset management team operate under formal governance and legal obligations, and are subject to duties under the partnership agreement and applicable law. Their compensation is typically tied to long-term fund performance, aligning incentives.

Diversification: A fund with dozens of properties across multiple markets and tenant profiles is far more resilient than a concentrated portfolio. No single event — a tenant default, a market downturn, a regulatory change — can materially impair the entire portfolio.

Liquidity Planning: Real estate investments remain illiquid in nature. While funds may offer certain exit mechanisms—such as redemption policies, secondary market transactions, or eventual liquidation—these are subject to fund documents, management discretion, market conditions, and timing. Liquidity is not guaranteed, and investors should expect long-term holding periods.

Estate Simplicity: Passing fund units to the next generation is administratively straightforward. There are no property-specific legal issues, no tenant relationships to transfer, and no operational continuity concerns.

Peace of Mind: Owners no longer wake up to emergency maintenance calls, tenant disputes, or financing deadlines. The portfolio is professionally managed, and the owner's role is passive.

The Trade-Off

The trade-off is control. Owners who contribute properties into a fund give up direct decision-making authority. They cannot unilaterally decide to sell a property, refinance, or implement a capital improvement project. Those decisions rest with the fund's management team.

For some owners, this loss of control is unacceptable. They value autonomy and want to remain directly involved in their investments.

For others, particularly those who have spent decades managing properties and are ready to step back, the loss of control is not a sacrifice — it is a relief.

A Different Measure of Success

Success in this context is not measured by internal rate of return (IRR) or cash-on-cash yield. It is measured by:

- Reduced stress and improved quality of life
- Confidence that the portfolio will endure and perform consistently over time
- Simplified estate planning and intergenerational wealth transfer
- Elimination of concentration risk and structural fragility
- Alignment with professional management operating under formal governance structures and legal obligations

These outcomes are difficult to quantify, but for experienced owners who have already achieved financial success, they are often more valuable than incremental return improvements.

11. Where CORE Fits (As a Reference Model)

The CORE Investment Fund is a Canadian limited partnership managed by Calnan Real Estate Group (CREG). It is designed specifically to accept asset contributions from experienced property owners and provide long-term, professionally managed exposure to institutional-quality multifamily real estate in Western Canada.

CORE is not the only fund that offers this structure, nor is it necessarily the best fit for every owner. It is presented here as a reference model — an example of how this transition can work in practice.

Investment Focus

CORE focuses on:

- Multifamily properties in Western Canada (British Columbia, Alberta, Saskatchewan) meeting institutional-quality standards, emphasizing underwriting discipline, governance standards, and professional asset management
- Properties with strong fundamentals: good locations, stable tenant demand, and solid operating performance
- Long-term hold strategy with a focus on income generation and capital preservation
- Professional asset management with centralized operations and reporting

The fund does not pursue speculative development projects, high-leverage strategies, or short-term trading. It is designed for owners who want stable, professionally managed real estate exposure with minimal operational involvement.

Structure and Governance

CORE is structured as a limited partnership:

- Calnan Real Estate Group acts as the general partner, responsible for all management decisions
- Investors are limited partners with no operational responsibilities or personal liability beyond their invested capital
- The partnership agreement defines distribution policies, governance procedures, and investor rights
- Quarterly reporting provides transparency into portfolio performance, asset-level metrics, and financial results

This structure provides institutional-quality governance while maintaining the tax efficiency and flexibility of a limited partnership.

Asset Contribution Process

CORE is designed to accept asset contributions from property owners. The process typically includes:

1. Initial consultation to assess whether the owner's properties meet the fund's investment criteria
2. Due diligence, including property inspections, financial analysis, title review, and environmental assessments
3. Valuation based on net operating income, comparable sales, and replacement cost
4. Structuring the transaction, which may include a Section 85 rollover subject to professional advice, to potentially defer capital gains taxes
5. Transfer of legal title and issuance of fund units to the contributing owner
6. Ongoing reporting and distributions as a limited partner in the fund

The process is thorough and may take several months to complete. Owners should expect detailed scrutiny of their properties and transparent communication throughout.

Who CORE Is Designed For

CORE is designed for experienced property owners who:

- Own multifamily properties (or scaled single-family portfolios) in Western Canada
- Have significant unrealized capital gains and want to defer taxes
- Are concerned about concentration risk, management burden, or estate complexity
- Want to remain invested in real estate but prefer a passive, professionally managed structure
- Value long-term stability and governance over short-term return maximization

CORE is not designed for:

- Owners who want to maintain direct control over their properties
- Investors seeking short-term liquidity or frequent redemptions
- Owners with properties outside Western Canada or outside the fund's investment criteria
- Investors looking for speculative, high-leverage, or development-focused strategies

Not a Sales Pitch

This paper is not a solicitation to invest in CORE. It is an educational resource designed to help property owners understand a structural transition option that may be appropriate for their circumstances.

CORE is one example of how this structure can work. Other funds, family offices, or institutional platforms may offer similar capabilities. Owners should evaluate multiple options, conduct thorough due diligence, and consult with qualified advisors before making any decisions.

The goal is not to convince owners that CORE is the best choice. The goal is to ensure they understand that this type of transition is possible, how it works, and what questions they should ask before pursuing it.

12. Questions Owners Should Ask Before Pursuing Any Transition

Before pursuing a transition from direct ownership to fund ownership, property owners should engage in honest self-assessment. The following questions are designed to help owners clarify their objectives, evaluate their current situation, and determine whether this path aligns with their long-term goals.

About Your Current Portfolio

- How concentrated is my portfolio? Do I have significant exposure to a small number of properties or a single geographic market?
- How much of my net worth is tied to real estate? Am I comfortable with this level of concentration?
- How much time do I spend managing my properties each week? Is this sustainable long-term?
- Do I have significant unrealized capital gains? What would happen if I sold my properties today?
- Are my properties performing well operationally, or are there deferred maintenance issues or management challenges?
- Do I have a clear succession plan? What happens to my properties if I am unable or unwilling to manage them?

About Your Objectives

- Do I want to remain invested in real estate long-term, or am I looking to exit the asset class entirely?
- Is my primary goal return maximization, or am I more focused on risk reduction and wealth preservation?
- How important is control to me? Am I comfortable delegating operational decisions to professional managers?
- What role do I want real estate to play in my estate plan? Do my heirs want to be landlords?
- Am I seeking liquidity, or am I comfortable with a long-term, illiquid investment?
- What would success look like five or ten years from now? How would I measure it?

About the Fund or Platform

- What is the fund's investment strategy? Does it align with my risk tolerance and objectives?
- Who manages the fund? What is their track record, experience, and reputation?
- How is the fund structured? What are the governance procedures, distribution policies, and investor rights?
- What are the fees? How is the general partner compensated, and are incentives aligned with long-term performance?
- What is the fund's approach to asset contributions? How are properties valued, and what due diligence is conducted?

- What happens if I want to exit? Are there redemption policies, secondary market options, or eventual liquidation plans?
- How transparent is the fund? What reporting will I receive, and how often?
- What are the tax implications? How will distributions be taxed, and what happens when the fund eventually sells properties?

About the Transition Process

- What is the timeline for completing an asset contribution transaction?
- What due diligence will the fund conduct on my properties?
- How will my properties be valued? What methodology will be used?
- What are the transaction costs? Are there legal, accounting, or advisory fees?
- How will the Section 85 rollover be structured? What are the tax implications?
- What happens to my existing financing? Will the fund assume it, or will properties be refinanced?
- What role, if any, will I have after the transaction? Will I remain involved in any capacity?

About Your Advisors

- Have I consulted with a qualified tax advisor who understands Section 85 rollovers and real estate fund structures?
- Have I engaged a lawyer with experience in limited partnership agreements and real estate transactions?
- Have I discussed this transition with my financial planner or wealth advisor?
- Do my advisors have any conflicts of interest or relationships with the fund or its management team?
- Am I confident that I understand the risks, trade-offs, and long-term implications of this decision?

The Most Important Question

Finally, owners should ask themselves:

If I do nothing — if I continue to own and manage my properties directly — what are the risks? What problems am I likely to face in five, ten, or twenty years?

For many experienced owners, the answer to this question clarifies the need for structural change. The properties may be performing well today, but the structure is not sustainable long-term. Concentration risk, management burden, tax lock-in, and estate complexity will only compound over time.

This realization — that the status quo is not a neutral option — is often the catalyst for exploring alternatives.

13. Conclusion: The Quiet Exit

For many property owners, the decision to transition from direct ownership to fund ownership is not dramatic. There is no crisis, no forced sale, no urgent deadline. It is a quiet recognition that the structure that served them well for decades is no longer optimal.

The properties are fine. The cash flow is stable. The equity has grown. But the portfolio has become a constraint rather than an asset. Concentration risk has increased. Management demands have grown. Tax lock-in has reduced flexibility. Estate planning has become complex.

This is not a failure. It is a natural consequence of success. Portfolios that grow organically over time rarely have the structural characteristics needed for long-term durability, professional governance, and intergenerational wealth transfer.

The transition described in this paper — contributing assets into a professionally managed real estate fund using tax-deferral mechanisms — offers a path forward. It allows owners to remain invested in real estate while fundamentally improving diversification, governance, and structural resilience.

This is not an exit from real estate. It is an exit from the operational and structural burdens of direct ownership. It is a transition from landlord to limited partner — from active manager to passive investor.

For some owners, this transition will not be appropriate. They value control, enjoy active management, or have portfolios that do not fit fund investment criteria. That is perfectly reasonable. Direct ownership remains a viable and rewarding strategy for many.

But for others — particularly those approaching retirement, concerned about concentration risk, or focused on estate planning — this path offers a compelling alternative. It provides a way to preserve wealth, reduce fragility, and ensure that decades of hard work and disciplined investing endure across generations.

The CORE Investment Fund is one example of how this structure can work. It is not the only option, nor is it necessarily the best fit for every owner. But it represents a model that is increasingly relevant for experienced property owners in Canada who recognize that their portfolio structure has become a constraint.

The quiet exit is not about giving up. It is about evolving. It is about recognizing that the skills, discipline, and capital that built a successful portfolio can be preserved and professionalized through a different structure.

For many owners, this is not the end of their real estate journey. It is the beginning of a new chapter — one defined by durability, alignment, and peace of mind.

References

This white paper draws on publicly available information, industry research, and established practices in Canadian real estate investment and tax law. The following sources provide additional context and background:

1. [1] Canada Revenue Agency. (2024). Income Tax Act, Section 85: Transfer of Property to Corporation by Shareholders. Government of Canada.
2. [2] Canadian Real Estate Association. (2024). National Rental Market Report. CREA Publications.
3. [3] CMHC. (2024). Rental Market Survey: Western Canada. Canada Mortgage and Housing Corporation.
4. [4] Prequin. (2024). Global Real Estate Fund Performance Report. Prequin Research.
5. [5] Urban Land Institute. (2024). Emerging Trends in Real Estate: Canada. ULI Publications.
6. [6] National Council of Real Estate Investment Fiduciaries (NCREIF). (2024). Property Index Returns. NCREIF Data.
7. [7] Real Property Association of Canada. (2024). Canadian Multifamily Investment Trends. REALPAC Research.
8. [8] Statistics Canada. (2024). Population Growth and Migration Trends: Western Provinces. Government of Canada.
9. [9] Altus Group. (2024). Canadian Real Estate Investment Outlook. Altus Research.
10. [10] Deloitte Canada. (2024). Real Estate Tax Planning Strategies. Deloitte Publications.

Additional Resources

For owners interested in learning more about real estate fund structures, tax-deferred rollovers, or the CORE Investment Fund specifically, the following resources may be helpful:

- Calnan Real Estate Group website: www.calnan.co
- Canada Revenue Agency guidance on Section 85 rollovers: www.canada.ca/en/revenue-agency
- Canadian Real Estate Association research and publications: www.crea.ca
- CMHC rental market data and analysis: www.cmhc-schl.gc.ca

Disclaimer on References

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