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Q+A: Crown partner Emily Hanna on planned $715m office fund

The firm is targeting $250m of equity commitments, with the raise capped at $350m and a first close planned for this year

by Matt Lamers

Crown Realty Partners is preparing to put fresh capital to work as the value-added office specialist launches its sixth fund.

Crown is targeting $250m in equity commitments from institutional investors for Fund 6, with the raise capped at $350m. And the firm is betting on a familiar thesis: repositioning well-located, underperforming office buildings to capture tenant demand for best-in-class space, while eyeing potential expansion beyond its core Greater Toronto and Ottawa markets into Western Canada.

Green Street News spoke with managing partner Emily Hanna, who oversees the firm's investment and strategic growth initiatives, including oversight of capital formation and allocation. She discussed the new fund's strategy, the rollout and upcoming milestones.

Why is now the right time to launch your sixth value-added office fund?

It's part of our regular fundraising cycle. We typically raise capital every few years and have been doing that since 2006. It happens that it's also a very good entry point as well, and having committed equity in place now means we're ready for the pipeline of opportunities that's opening up after years of thin volume.

Emily Hanna

Can you elaborate on the pipeline of opportunities you see?

I'm an economist at heart, so I can't help but go back to basic supply and demand when it comes to the timing and the entry point. On the demand side, businesses are increasingly

See HANNA on Page 2

Hanna ... From Page 1

discerning about workplaces that actually meet their needs. On the supply side, there is limited trophy space in our markets that can do that, and a long lead time to build.

Put those together and repositioning existing, well-located buildings is the only realistic way to meet that demand, which is exactly what Crown does.

How much are you planning on raising for the sixth fund? Can you share who your anchor investor is?

We're targeting $250m of equity commitments from institutional investors, with the raise capped at $350m and a first close planned for the second half of this year.

Vestcor, a longtime LP and a minority partner in Crown since 2021, is seeding the fund, and as always, Crown's operating partners invest alongside and are aligned.

At $250m, with portfolio leverage capped at 65%, that's roughly $715m of buying power. The cap is deliberate, because we'd rather come back to market with the next fund than raise more than we can deploy in a reasonable time frame.

On the timeline: We'd expect to put that capital to work over a roughly four-year investment period. We're planning a first close in the second half of this year and expect to finalize the fundraise by the end of 2027. We're able to acquire assets on behalf of this fund as soon as we have some "walking money," so that could be before the end of the year.

Where did Fund 5 deploy, and where do you anticipate Fund 6 deploying?

Fund 5 has invested predominantly in the greater Toronto and Ottawa areas, and Fund 6 is based on the same premise. The geography is potentially different. We've always had that cross-Canada flexibility but have focused on where we have our boots on the ground and the markets we believe offer the fund liquidity.

At this point, we are actively evaluating entry to other markets – specifically, Western Canada, where we believe there's an opportunity for our fund.

The buy box is similar to past funds: Identify assets that we consider repositionable. This means well-located, good bones, in markets where there is a gap between the best buildings and the rest and where we believe we can capture tenant demand seeking the best-in-class space. The goal: to drive income growth – that's what generates the returns. Because we are vertically integrated, we are able to evaluate what is repositionable and underwrite the risk better than most.

Crown's edge is vertical integration. Can you walk me through a real example from a prior fund where that integration made a quantifiable difference?

A good example of the whole machine at work is the full tenant turnkey we completed for Gay Lea Foods at 10 Carlson Court in the west end of Toronto, for their 26,000 sq ft office.

We transformed it from cold shell to move-in ready in 26 weeks, at 10% under budget. That happened because leasing, construction and the on-site team are all internal to Crown. They work with our asset management team [to] vet our asset plans and ensure they are grounded in reality; then they deliver it.

Around two-thirds of Crown's historical returns have come from growing income and occupancy rather than cap rate compression. Can you share some colour on this aspect of the strategy?

That matters because it's the part we control. This is why the value-added thesis makes sense to me; in good times, it compounds your returns, and in bad times, it's a buffer against the market working against you.

It also means that there is necessarily a liquidity event – something we're seeing really matters in a downturn.

Every asset acquired in a value-added fund has its own strategy with an exit that is considered as part of the strategy, not determined when an appraised value happens to line up with a selling price.

Is flight to quality a permanent trend? How do you see that playing out in the coming years?

It isn't a trend; it's structural. Businesses care about their physical workplaces and how they meet the needs of their business and their employees – transit, tech enablement, amenities and active management all matter.

The value proposition of repositioned space is that you get best-in-class functionality, amenities and management, but at a rent that makes sense for most businesses.

How is artificial intelligence accounted for in your overall strategy?

We're experimenting, and it's genuinely helping on efficiency. But we're a real estate investment management firm, not a tech company, so adoption is uneven and we're working through it like most firms are.

We're also a fiduciary, so we're mindful of where our data goes and who, or what, has access to it. What I want to solve for is taking experimentation by individual teams to a firm-wide solution. This will ensure the security and governance controls we need but will allow us the efficiency AI enables.

At the end of the day, our business is about people and space. The judgment about a building and the relationship with a tenant, an investor, a leasing broker is human. We want our people to have every tool that makes them better at that.