



WATERMARK TOWER, CALGARY, AB



VCII, VANCOUVER, BC



1188 W. GEORGIA, VANCOUVER, BC

The second quarter of 2017 delivered a 1.61% gross return from a best-in-class portfolio of 90 institutionally owned and operated properties valued at over \$2.4 billion. Highlights from the quarter's activity are summarized below:

**Development Activity:** In June, after four years of extensive pre-development efforts, Vancouver Centre II (VCII) was formally approved. VCII will be a 33-storey, LEED Platinum office tower totalling 371,000 square feet, positioned directly south of the existing Vancouver Centre complex. Located at the intersection of West Georgia Street and Seymour Street, VCII is situated along a high profile commercial corridor offering unsurpassed transit connectivity and immediate proximity to almost two million square feet of retail, service and entertainment amenities. Construction is anticipated to span 48 months with delivery scheduled for 2021.

**Leasing Update:** At Watermark Tower in Calgary, AB, management secured a 7-year lease with a leading multinational property and casualty insurance company. In a challenging leasing market, the 24,000 square foot

transaction to a non-oil and gas covenant tenant enhances both the expiry and tenant covenant profiles of the asset. Portfolio occupancy ended the quarter strong at 6.0%, led by a 110 bps gain in the residential portfolio.

**Financing Update:** The Fund has committed to new financing at 1188 West Georgia in Vancouver, B.C. The \$55 million 10-year mortgage will decrease the overall cost of debt for the Fund and provide an improved asset level return. Fund loan to value (LTV) currently sits at 11% relative to a policy maximum of 35%.

**Investment Activity:** Management has elected to take advantage of recent leasing momentum and a strong investment market within the GTA to dispose of two non-core holdings. The proceeds will be recycled into strategic new investment opportunities that will further enhance portfolio diversification. Details will follow in subsequent updates.

**Forward Outlook:** The Bank of Canada (BOC) appears poised to raise the overnight interest rate for the first time in seven years in an effort to cool an over stimulated housing market and in response to positive signals in job and overall GDP growth. The message coming from the central bank is that while there is to be a lag, inflation will follow. A rising interest rate environment impacts commercial real estate in a variety of ways, though it is timely to be reminded of the inherent inflationary hedging properties of the asset class. The Fund is well positioned to build off its long standing ability to generate predictable income returns for investors moving into the second half of 2017 and beyond.

**90 PROPERTIES,  
GROSS MARKET VALUE  
OF \$2.41 BILLION,  
AT JUNE 30, 2017**

The London Life Real Estate Fund was established in 1998. The Fund invests in 90 high-quality, income-producing properties diversified by type and location, with a gross market value of over \$2.41 Billion. The Fund's objective is to provide investors with stable income returns and the opportunity for long-term capital appreciation.

**GROSS RETURN**

	Annualized at Y/E			YTD
	10 Year	5 Year	3 Year	30-Jun
Income	5.2%	4.4%	4.3%	2.3%
Capital	2.7%	4.1%	1.0%	0.4%
Total	7.9%	8.5%	5.2%	2.7%

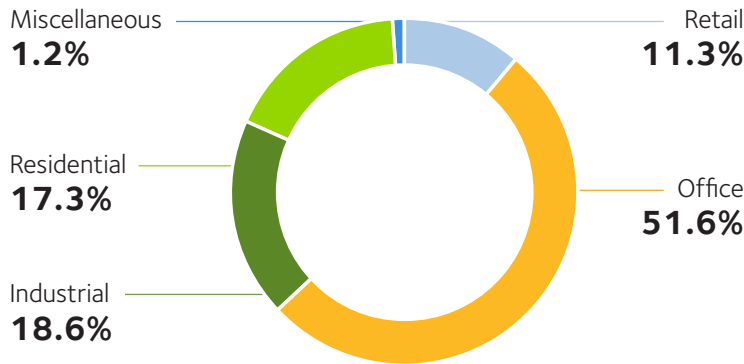
*Note: Differences due to rounding of decimals*

**FUND GROWTH** (\$ Millions)

	2012	2013	2014	2015	2016	YTD 30-Jun
Real estate	\$ 1,859	\$ 1,971	\$ 2,050	\$ 2,247	\$ 2,374	\$ 2,407
Cash	\$ 325	\$ 522	\$ 566	\$ 398	\$ 285	\$ 324
Short term assets & liabilities	\$ (28)	\$ (24)	\$ (14)	\$ (34)	\$ (25)	\$ (29)
Gross fund value	\$ 2,156	\$ 2,469	\$ 2,602	\$ 2,611	\$ 2,635	\$ 2,703
Net fund value	\$ 1,726	\$ 2,044	\$ 2,188	\$ 2,215	\$ 2,324	\$ 2,396
Debt/gross fund value	19.9%	17.2%	15.9%	15.2%	11.8%	11.4%

*Note: Differences due to rounding of decimals*

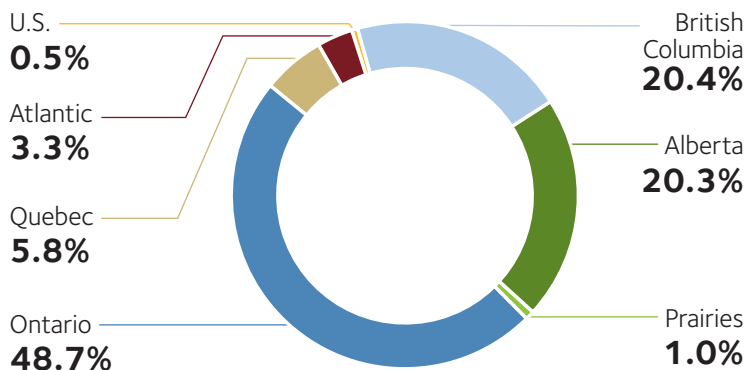
**DIVERSIFICATION BY TYPE**  
(Gross)



**VACANCY**

Retail	2.9%
Office	10.0%
Industrial	4.4%
Residential	3.1%
<b>Total by type</b>	<b>6.1%</b>

**DIVERSIFICATION BY REGION**  
(Gross)



**VACANCY**

British Columbia	5.8%
Alberta	5.8%
Prairies	0.0%
Ontario	4.4%
Quebec	12.2%
Atlantic	10.7%
U.S.	58.1%
<b>Total by region</b>	<b>6.1%</b>