

**ALTHOUGH THE REAL ESTATE MARKET HELD UP VERY WELL IN TERMS OF SUPPLY/DEMAND BALANCE IN THE FOURTH QUARTER, IT IS LIKELY THAT VACANCIES AND SUBLET SPACE WILL INCREASE AND MAY PUT DOWNWARD PRESSURE ON RENTS AND PROPERTY VALUES DUE TO THE VERY UNCERTAIN ECONOMIC CLIMATE.**

## INCREASING CASH POSITION DURING TEMPORARY SUSPENSION

The current economic environment has had a negative impact on most asset classes, including real estate. In the fourth quarter, normally scheduled appraisals on specific properties resulted in lower values for those properties. However, based on additional information received from external appraisers, it was determined that valuations on all properties in the Fund should be reduced.

This action was taken because we have a responsibility to all unitholders to adjust values as soon as credible information affecting property valuations becomes known. On Friday, December 12, 2008, we acted on this information, lowering unit values to reflect the current valuations of the properties in the Fund.

Effective at 4:00 p.m. ET, December 15, 2008, a temporary suspension on withdrawals and transfers out was put in place to be fair to all Fund unitholders.

Our goal is to re-establish an appropriate level of cash in the Fund to meet client withdrawals and transfers out. The Fund Manager will increase the cash position of the Fund through the income received from properties and through the orderly sale of real estate assets, as and when the market value is available, as determined by the Fund Manager.

The Fund continues to be well-diversified by property type and region and has a sound lease expiry schedule, high-quality assets and strong tenant rolls. It has performed well over many years and will continue to be managed to balance the long-term interest of all Fund participants.



5150-5160 YONGE STREET, TORONTO, ON

## WHAT'S NEW?

Activity in the quarter was highlighted by the acquisition of a 70% interest in 5150-5160 Yonge Street, a 470,934 sf, Class A mixed-use complex located in the North Yonge Corridor of Toronto for \$112.7 million. The property is comprised of a 397,302 sf, 23-storey, Class A office tower; a 73,632 sf, two-storey retail concourse; and a 1,737 sf stall garage servicing the entire North York City Centre Complex.

The asset is situated on a 3.82-acre land site and is adjacent to the North York Central Library, Mel Lastman Square, a large hotel and other amenities. With direct access to Toronto's subway system and minutes from both Highways 401 and 404, the asset is ideally located for commuters.

5150-5160 Yonge, one of the North Yonge Corridor's landmark assets, includes a strong rent roll providing income generation for the Fund going forward. The asset features an attractive 5.7 year remaining lease term with an average

existing contracted rent that is 19% below market, providing opportunity for near- to mid-term value creation as leases mature and are released at market rents. Currently the property is 95.7% leased, with the office component being 99.3% occupied by strong multi-national tenants. In addition to the asset's tenant profile, the success of the condominium market in the Corridor has created a meaningful barrier to entry for new office development, thereby mitigating the threat of new office development in the immediate node.

The Fund also acquired a 70% interest in Central Park Power Centre in Kelowna, BC, for \$34.5 million. The property is located along Highway 97, one of the most highly traveled roadways in Kelowna, with average daily

traffic volumes of over 110,000 cars. Well located in a market with very strong demand and limited development potential, the property features a strong and complementary tenant profile, with a very secure long-term income stream. The anchor and national tenants make up approximately 90% of the gross leasable area and gross revenue. The asset further benefits from contractual rent escalations, thereby providing future cash flow growth for the Fund. Commitments for Q4 acquisitions were made in Q3.

During the fourth quarter, the Fund had only one disposition – a 70% interest in a Calgary retail property. This disposition was part of the portfolio business plan to sell non-core assets in Alberta.

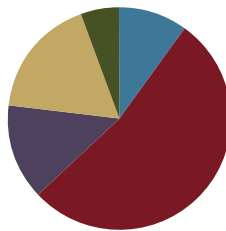
FUND FACTS

**GWL REAL ESTATE FUND, ESTABLISHED IN 1981, IS CANADA'S LARGEST SEGREGATED REAL ESTATE FUND. THE FUND INVESTS IN A PORTFOLIO OF 172 HIGH-QUALITY, INCOME-PRODUCING PROPERTIES DIVERSIFIED BY TYPE AND LOCATION, WITH A GROSS VALUE OF OVER \$3.63 BILLION. THE FUND'S OBJECTIVE IS TO PROVIDE INVESTORS WITH STABLE INCOME RETURNS AND THE OPPORTUNITY FOR LONG-TERM CAPITAL APPRECIATION.**

172 properties, gross market value \$3.63 billion at December 31, 2008

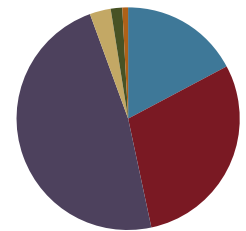
> by type

| VACANCY       | %   | DIVERSIFICATION (Gross) |       |
|---------------|-----|-------------------------|-------|
| Retail        | 3.6 | Retail                  | 9.8%  |
| Office        | 6.1 | Office                  | 53.1% |
| Industrial    | 9.6 | Industrial              | 13.8% |
| Residential   | 1.5 | Residential             | 17.6% |
| Total by type | 6.1 | Miscellaneous           | 5.7%  |



> by region

| VACANCY          | %    | DIVERSIFICATION (Gross) |       |
|------------------|------|-------------------------|-------|
| British Columbia | 5.8  | British Columbia        | 17.0% |
| Alberta          | 5.0  | Alberta                 | 29.6% |
| Ontario          | 6.2  | Ontario                 | 47.8% |
| Quebec           | 10.2 | Quebec                  | 3.1%  |
| Atlantic         | 1.3  | Atlantic                | 1.4%  |
| U.S.             | 0.0  | U.S.                    | 1.1%  |
| Total by region  | 6.1  |                         |       |



GROSS RETURN (BEFORE FEES)

| Year                                       | At December 31 |      |       |       |       |        |
|--|----------------|------|-------|-------|-------|--------|
|  | 2003           | 2004 | 2005  | 2006  | 2007  | 2008   |
| Income                                     | 7.3%           | 7.1% | 7.0%  | 6.5%  | 6.0%  | 5.7%   |
| Capital                                    | (0.3%)         | 1.0% | 7.2%  | 11.6% | 9.9%  | (6.2%) |
| Total                                      | 7.0%           | 8.1% | 14.2% | 18.1% | 15.9% | (0.5%) |
| Total return to individuals (net of fees)* | 4.0%           | 5.2% | 11.1% | 14.9% | 12.7% | (3.2%) |

FUND GROWTH (\$ MILLIONS)

|                                   | At December 31 |          |          |          |          |          |
|-----------------------------------|----------------|----------|----------|----------|----------|----------|
|                                   | 2003           | 2004     | 2005     | 2006     | 2007     | 2008     |
| Real estate                       | \$ 1,626       | \$ 1,670 | \$ 1,963 | \$ 2,576 | \$ 3,321 | \$ 3,632 |
| Cash                              | \$ 188         | \$ 198   | \$ 331   | \$ 333   | \$ 560   | \$ 13    |
| Short-term assets and liabilities | \$ (21)        | \$ 6     | \$ (32)  | \$ (44)  | \$ (45)  | \$ (57)  |
| Gross fund value                  | \$ 1,793       | \$ 1,874 | \$ 2,263 | \$ 2,865 | \$ 3,836 | \$ 3,588 |
| Net fund value                    | \$ 1,289       | \$ 1,380 | \$ 1,777 | \$ 2,383 | \$ 3,282 | \$ 2,985 |
| Debt/gross fund value             | 28.1%          | 26.3%    | 21.5%    | 16.8%    | 14.4%    | 16.8%    |

\*Fees may vary by client.



Any statements in this report concerning future financial performance of the Fund are subject to, among other things, risks, uncertainties and assumptions about the Fund, economic factors and real estate markets generally. They are not guarantees of future performance, and actual events and results may differ materially from those expressed or implied by forward-looking statements included in this report.