

Q4
2005LONDON LIFE REAL ESTATE FUND
BULLETIN

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The London Life Real Estate Fund was established in 1998. The Fund is invested in 67 high-quality income producing properties diversified by type and location, with a gross value of over \$997.2 million. The Fund's objective is to provide investors with stable income returns and the opportunity for long-term capital appreciation.



650 West Georgia, Vancouver, BC

ACTIVITY

The Fund enjoyed another great year, generating an overall return of 15.3% in 2005. The Fund's capital returns totaled 8.1%, coupled with an income return of 7.2%. Increasing capital returns for the Fund were found in British Columbia office assets led by 1188 West Georgia Street, and Alberta office buildings including Fifth & Fifth, and the Watermark Tower. The Fund's income return was driven by industrial assets in both Alberta and Ontario. The Fund's gross real estate value reached \$997.2 million this year, a continued increase since inception, with the acquisition and addition of 3 assets to the Fund's growing portfolio in the fourth quarter of 2005. This quarter the Fund acquired \$37.8 million of real estate in BC and Ontario. Solid leasing activity and strong tenancies contributed much of the Fund's positive growth and return performance over the year, a trend that is expected to continue in 2006.

In the fourth quarter, the Fund acquired a 50% interest for \$29.5 million in Production Court, an attractive modern Class 'A' suburban office complex located in Burnaby, BC. The property is comprised of 3 office towers, totaling 295,263 sf. All 3 office buildings are well constructed and finished, with a glass curtain wall providing tenants with panoramic views of Lake City Business Park in Burnaby. The asset is currently 93% leased with the lead tenant, PMC Sierra, occupying 54% of the project. The purchase of this property helps to achieve the Fund's objective to acquire top quality Class 'A' office properties in the Vancouver real estate market. In addition, the complex is close to other assets owned by the Fund, providing for synergistic benefits in the management and leasing of these properties.

The Fund acquired a 100% interest in a 3.2 acre parcel of land located within Riverside Business Park in Richmond, BC for \$2.6 million. The site will eventually be developed into a single 75,000 sf industrial warehouse building that may accommodate up to 3 tenants or any single tenancy. The building will feature front office space, rear dock loading, and 26 ft ceiling heights. The property is in an excellent location in an established node with limited opportunities for development. The site offers high profile exposure and access to Highway 99, and proximity to both sea and air ports, which will ensure strong tenant demand.

The favourable location will also help the Fund to secure strong tenancies, with secure cash flows, and long-term leases. The acquisition of the development land allows the Fund to invest in a market where industrial acquisition opportunities are scarce and increased competition in the area has led to increased prices. Currently Vancouver's industrial market has the lowest availability rate in North America at 1.6% in 2005, making it increasingly difficult for tenants in the market to find suitable industrial space. The property is also located within close proximity to other GWL Realty Advisors managed assets and will provide leasing and management synergies.

The Fund also acquired a 50% interest in Derrydale Lands, a 32-acre land parcel, for \$5.8 million. Located at the high profile corner of Derry Road and Hurontario Street (Highway 10), the site offers excellent access to the 400 Series highways, just north of the much sought-after Mississauga City Centre business corridor. The acquisition of the lands provides the Fund with the chance to develop a variety of commercial uses that will provide a steady stream of income with solid returns. The development opportunity will allow for up to 510,000 sf of commercial space. The acquisition of Production Court, Riverside Business Park and the Derrydale Lands site will contribute to the Fund's overall objectives, to generate stable returns and provide for the opportunity for long-term capital appreciation.

ADDING VALUE

Purdy's Wharf is a 694,980 sf AAA complex in Halifax, considered to be the premier business address in Atlantic Canada. The GWLRA leasing team recently completed the largest private sector lease in Atlantic Canada for 95,000 sf with McInnes Cooper, the second largest law firm in Western Canada. Through a complex process of tenant relocations and lease extensions, we were able to accommodate a new 95,000 sf tenancy and bring the building occupancy to 95% – resulting in a significant increase in building value.



Purdy's Wharf, Halifax, Nova Scotia



4600 Jacombs Way, Vancouver, BC

MARKET OVERVIEW

The office markets across Canada have witnessed a significant increase in the demand for space in 2005. The national office vacancy rate fell to 9.2%, compared to 12.3% last year. Large blocks of space are in short supply forcing users to examine suburban office alternatives. The bulk of activity has transferred to Class 'B' and 'C' buildings as a result of depleted inventories in the higher class buildings. In Calgary, the prominent oil and gas sector was the major driver of demand encouraging new construction and redevelopment activity in that market. Calgary's vacancy rate hit an all-time low of 3.8% this year. Calgary currently has approximately 3.0 million sf of office space under construction and another 2.0 million sf in the pipeline for 2007 in an attempt to meet demand. As the office market tightens moving into 2006, we can expect moderate rental rate growth, coupled with a further increase in leasing activity.

The national industrial market witnessed a marginal decline in availability rates this year, falling to 4.9%. Some industrial markets experienced a shortage of developable land in the first half of 2005, causing sale prices of existing product to increase. New projects in the pipeline for 2006 should help to alleviate demand, with over 6.5 million sf under construction at the end of 2005. Vancouver's industrial market continues to have the lowest availability level at 1.6%, as growing container traffic increases the need for warehouse-distribution space to accommodate the expanding logistics-based companies. New speculative construction activity from both local (domestic) and US developers should lead to a slight increase in availability rates in 2006, coupled with continued rental rate growth.

The multi-residential apartment market benefited from a solid economy and robust labour market in 2005. The overall national average vacancy rate held steady at 2.8% this year, after 3 consecutive years of rising vacancy levels across Canada. High levels of condominium completions in 2005 created increased competition for the rental market, despite the slight increase to the average rental rate in almost all major Canadian rental markets. The rising cost of home ownership and increasing immigration were largely responsible for boosting rental demand this year. As the gap between the cost of home ownership and renting increases, rental demand should continue to stabilize, slightly increasing in 2006.

The national Canadian retail market witnessed significant growth over 2005, with new European and US retailers entering the market and existing retailers expanding into new submarkets. With the potential sale of HBC, Canada's first retailer, increasing expansion of Wal-Mart into all of Canada's retail facets, and changing retail themes, 2006 is expected to generate increased retail sales, and an unprecedented level of retail development. Lifestyle Centres, a significant theme in US retail development, has started to filter into the Canadian marketplace with the first Lifestyle Centre now complete in West Vancouver and more planned in the GTA and Barrie (Park Place). Park Place will include upscale retail shops, restaurants, hotels, entertainment facilities, walking trails and a business park housing industrial and manufacturing buildings.

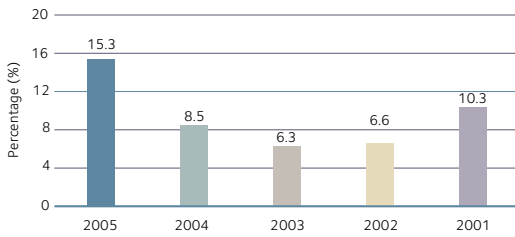


Production Court, Burnaby, BC

FUND FACTS

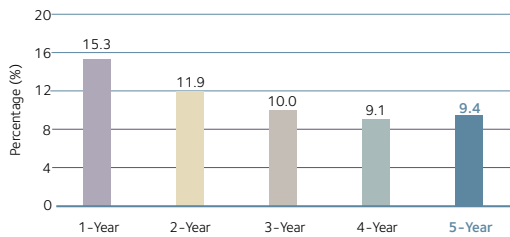
Gross Annual Rates of Return

at December 31



Gross Annualized Rates of Return

at December 31, 2005



Gross Return (before fees)

Year	2001	2002	2003	2004	2005
Income	7.9%	7.7%	7.3%	7.3%	7.2%
Capital	2.4%	-1.1%	-1.0%	1.2%	8.1%
Total	10.3%	6.6%	6.3%	8.5%	15.3%

Fund Growth (\$ millions)

Year	2001	2002	2003	2004	2005
Real Estate	\$ 419	\$ 496	\$ 568	\$ 729	\$ 997
Cash & Other	\$ 38	\$ 66	\$ 121	\$ 138	\$ 69
Gross Fund Value	\$ 457	\$ 562	\$ 689	\$ 867	\$ 1,066
Net Fund Value	\$ 331	\$ 404	\$ 495	\$ 639	\$ 833
Debt / Gross Fund Value	28.0%	28.0%	28.2%	26.3%	21.8%

Vacancy

By Type

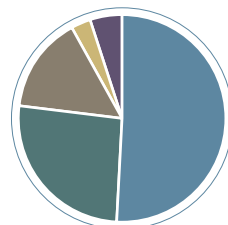
Retail	27.3%
Office	9.3%
Industrial	4.2%
Residential	1.0%
Total by Type	5.6%

By Region

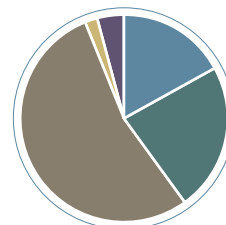
British Columbia	4.7%
Alberta	1.8%
Ontario	6.9%
Quebec	0.4%
Atlantic	13.8%
Total by Region	5.6%

Diversification

By Type



By Region



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