

Q1 bulletin 2008

GWL Real Estate Fund

HIGHLIGHTS

WHAT'S NEW

The Fund acquired two Toronto CBD office buildings – fulfilling a key business objective

ADDING VALUE

Creating value through proactive leasing strategies

MARKET OVERVIEW

Real estate fundamentals remained solid in Q1

WHAT'S NEW

IF FIRST QUARTER ACTIVITY IS ANY INDICATION, 2008 WILL BE A VERY BUSY AND SUCCESSFUL YEAR FOR THE FUND. TRANSACTIONS INCLUDED FOUR ACQUISITIONS, ONE DISPOSITION AND EXCELLENT PROGRESS ON SEVERAL DEVELOPMENT PROJECTS. PERFORMANCE WAS HIGHLIGHTED BY A FIRST QUARTER RETURN (BEFORE FEES) OF 2.68% COMPARED TO A QUARTERLY AVERAGE BUDGETED RETURN OF 1.84%, NET OPERATING INCOME OF \$50.5 MILLION, AHEAD OF THE BUDGET OF \$46.9 MILLION.



4 KING STREET WEST, TORONTO, ON

An important objective of the 2008 portfolio business plan was to acquire downtown Toronto office buildings and to decrease the Fund's suburban office weighting in the GTA. The Fund acquired a 70% interest in two financial core office buildings, 4 King Street W. and 155 University Avenue, for \$98.0 million. These buildings comprise a rentable area of 472,783 sf, are 99.5% leased and have contracted rents well below market, providing considerable upside potential. The average remaining lease term on acquisition was 4.7 years and 54% of the tenant roster is comprised of national or government tenant covenants. The Fund sold its 50% interest in 350 Burnhamthorpe Road W, Mississauga, ON, for \$16.8 million, which compares favourably to its book value of \$15.1 million and the prior year's appraised value of \$14.3 million. This property was designated as non-core due to its peripheral location in a condominium node, small floor plate and unconventional configuration.

The Fund acquired a 70% interest in Loblaws Centre in Milton, ON, for \$27.3 million. This just completed, new format property comprises 97,172 sf and is shadow-anchored by a Loblaws Superstore. It is 99% leased and features strong national tenants that represent more than 75% of the rentable area and gross revenue. Tenants include TD Canada Trust, Liquor Control Board of Ontario, East Side Mario's, Blockbuster and Scotiabank. The site has an excellent location at the corner of two of Milton's busiest roadways, providing excellent exposure and accessibility.

The Fund also acquired a 100% interest in a newly constructed 140,000 sf industrial building located in Cambridge, ON, for \$14.5 million. The building will be 100% occupied by Kodiak, a strong Canadian company; it will be their warehouse and distribution centre due to excellent proximity to Highways 401 and 24. The modern, large bay design (38' by 40'), high cube construction (28') and ample loading docks are attractive features that will insure the asset's long-term leasability. *(Continued on page 3)*

THERE IS NOTHING MORE CENTRAL TO THE PRESERVATION AND CREATION OF REAL ESTATE VALUE THAN POSITIVE LEASING ACTIVITY. A DIVERSIFIED RENT ROLL MADE UP OF TENANTS WITH STRONG COVENANTS THAT WILL PAY MARKET RENTS OVER THE TERM OF THEIR LEASE IS THE KEY TO THE PORTFOLIO'S PERFORMANCE. A WELL-MANAGED LEASE EXPIRY PROFILE, ONE THAT SPREADS RISK OVER FUTURE YEARS, IS ALSO VERY IMPORTANT.

ADDING VALUE

Depending on market conditions, several leasing strategies may be employed. In a rising market, a blend and extend strategy may be effective. This offers tenants the opportunity to secure their space well into the future by extending the term of their lease at rents that are a blend of their current contract rate and a future higher rent, while providing the landlord with reduced risks and higher rents. Another strategy may involve targeting weaker tenants that the landlord may selectively choose not to renew, to better provide for expansion for stronger tenants.

The first quarter of 2008 provides some excellent examples of creating value through strong leasing activity.

Capitalizing on the expansion of the rapid transit Canada Line into the Vancouver Centre, the leasing team negotiated an expansion and renovation of London Drugs' flagship store. The rentable area was increased by 7,646 sf at rents that, on average for the next eleven years, are \$13.00 psf more than it is currently contracted to pay over the same period on its existing space. Net of costs, this lease transaction adds about \$1 million in value to the asset.

5140 Yonge Street is one of the Fund's major Class A towers in Toronto. In the first quarter, there were three material lease transactions. The Toronto Transit Commission agreed to lease 45,000 sf for a five-year term, filling a space that had been vacated only five months earlier. Green Shields Canada leased 19,400 sf for a ten-year term, back-filling a space that had been vacant only three months. These leases are indicative of the strength of the market and add diversification to the rent roll. In addition, RBC, an existing tenant, expanded by 16,500 sf for a ten-year term and a total of 35,546 sf. This deal added 16 months to the existing term, which now expires in 2018. The building is now more than 99% leased and will continue to provide excellent returns to the Fund.



5140 YONGE STREET, TORONTO, ON

Calgary's office sector continues to be a landlord's market as evidenced by three substantial lease transactions in the quarter at Fund properties. At Fifth and Fifth, Signalta Resources renewed their lease for five years for 18,816 sf at \$33.90 psf; at Watermark Tower, a new lease was executed with SemCanada Crude Company for five years at \$42.00 psf; and a new lease was also concluded with Tenaris Global Services for 23,446 sf for seven years at an average rent of \$40.57 psf. These leases improve cash flow, enhance diversification, reduce leasing risk exposure and add value.

The Fund is a major investor in the industrial sector in the GTA. A couple of large lease renewals in the first quarter of 2008 have stabilized cash flow, reduced leasing risk and enhanced value. At Goreway Business Park, in Brampton, PPG Canada Inc. renewed their lease for five years for 30,343 sf, and at Superior Business Park in Mississauga, TDC Laser Services Inc. renewed 70,682 sf for three more years.



FIFTH & FIFTH, CALGARY, AB

WHAT'S NEW (CONTINUED)

Ongoing developments include two industrial projects in Edmonton, AB, and, in the GTA, two suburban offices planned in Mississauga, a rental apartment building in Toronto, an industrial project in Bolton, and an industrial site in Brampton. All these developments are experiencing good progress through the planning and costing stages and/or excellent leasing activity. Once complete, these assets will enhance portfolio diversification and provide strong cash flow.

PURDY'S WHARF IN HALIFAX IS ATLANTIC CANADA'S PREMIER OFFICE COMPLEX. THIS ASSET, 33% OWNED BY THE FUND, IS SO WELL OCCUPIED THAT IT IS DIFFICULT TO ACCOMMODATE TENANT EXPANSIONS. SO IT WAS NO SMALL FEAT THAT MANAGEMENT WAS ABLE TO RESPOND TO A REQUEST FROM ONE OF THE LAW FIRMS IN THE BUILDING TO EXPAND BY 5,346 SF FOR A TOTAL RENTABLE AREA OF 44,047 SF. PURDY'S WHARF CAN NOW BOAST THAT IT IS HOME TO ATLANTIC CANADA'S THREE LARGEST LAW FIRMS, PROVIDING SECURE AND GROWING CASH FLOW.

MARKET OVERVIEW

Although bond and equity markets experienced wild volatility in the first quarter, real estate market fundamentals remained solid. Values for institutional-grade assets rose modestly, with firm rents and good leasing activity in all sectors. Rising spreads on borrowing and stricter underwriting standards have increased uncertainty and given advantage to cash buyers.

In the important office sector, Canada's vacancy rate fell to 6.4%, well below the benchmark of 10%, which makes this a strong landlord's market. Toronto's vacancy rate dropped to 4.7%, its lowest in 15 years. In fact, the downtown vacancy rates for Vancouver, Calgary, Edmonton and Ottawa were all under 5%. It is expected that the market will continue to prosper in 2008.



PURDY'S WHARF I & II

GWL Real Estate Fund

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 \$3.5 billion. The Fund's objective is to provide investors with stable income returns and the opportunity for long-term capital appreciation.

> by type

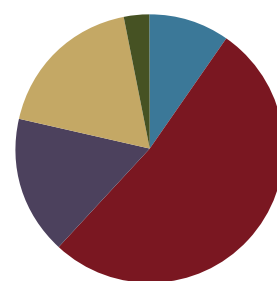
VACANCY

	%
Retail	2.4
Office	6.5
Industrial	8.6
Residential	3.6
Total by type	6.3

DIVERSIFICATION

(Gross)

Retail	9.5%
Office	52.4%
Industrial	16.6%
Residential	18.2%
Miscellaneous	3.3%



> by region

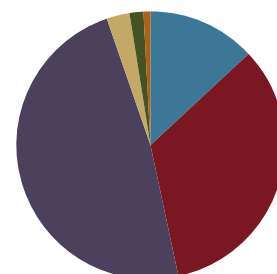
VACANCY

	%
British Columbia	2.1
Alberta	3.3
Ontario	7.5
Quebec	16.3
Atlantic	6.7
U.S.	0.0
Total by region	6.3

DIVERSIFICATION

(Gross)

British Columbia	12.8%
Alberta	33.7%
Ontario	48.1%
Quebec	2.9%
Atlantic	1.4%
U.S.	1.1%



GROSS RETURN (BEFORE FEES)

	2003	December 31		2006	2007	YTD
		2004	2005			Mar-2008
Income	7.3%	7.1%	7.0%	6.5%	6.0%	1.4%
Capital	(0.3%)	1.0%	7.2%	11.6%	9.9%	1.3%
Total	7.0%	8.1%	14.2%	18.1%	15.9%	2.7%
Total return to individuals (net of fees)*	4.0%	5.2%	11.1%	14.9%	12.7%	

FUND GROWTH (\$ MILLIONS)

	2003	December 31		2006	2007	YTD
		2004	2005			Mar-2008
Real estate	\$ 1,626	\$ 1,670	\$ 1,963	\$ 2,576	\$ 3,321	\$ 3,511
Cash & other	\$ 167	\$ 204	\$ 299	\$ 289	\$ 515	\$ 643
Gross fund value	\$ 1,793	\$ 1,874	\$ 2,263	\$ 2,865	\$ 3,836	\$ 4,154
Net fund value	\$ 1,289	\$ 1,380	\$ 1,777	\$ 2,383	\$ 3,282	\$ 3,523
Debt/gross fund value	28.1%	26.3%	21.5%	16.8%	14.4%	15.2%

*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.