CHAPTER 3

DELIVER **STRONG**, LONG-TERM RETURNS

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Despite a year of evolving market conditions, where the office and retail asset classes continued to feel the lingering effects of the pandemic, we sustained our performance during the year. It is something we are immensely proud of and speaks to the overall construction of our portfolio. In 2022, we delivered above market performance with an overall average portfolio rate of return of 5.1%, which outperformed the MSCI Canada Property Index by 380 basis points.

Strategically, our managed portfolio has been weighted in favour of the industrial and residential sectors relative to industry benchmarks. These asset classes continue to significantly outperform other real estate sectors and were constructive to our strong long-term returns.

On the industrial front, our acquisition and development activities reflect the growing demand for warehouse space and last-mile distribution facilities. At the end of 2022, our industrial portfolio increased in value to $5 billion, representing 19 million square feet of single and multi-tenant assets. Moving forward, we continue to have confidence in the sector's underlying market fundamentals and in our ability to identify strong income generating opportunities.

Ongoing challenges with housing supply in Canada further bolstered our residential portfolio. Given the current demand levels coupled with the federal government's bold immigration targets, the constraints on housing supply will continue — and we are therefore well positioned to meet this demand. With an eye on the future, we have a robust development pipeline of purpose-built rental buildings, and our existing portfolio of buildings are enjoying low vacancy rates as more Canadians recognize the flexibility and benefits of renting.

2022 TOTAL REAL ESTATE ASSETS UNDER MANAGEMENT

$17.1B
Total value of assets

$2.3B
Pension Fund Advisory Services

$6.5B
Canada Life Real Estate Investment Fund No. 1

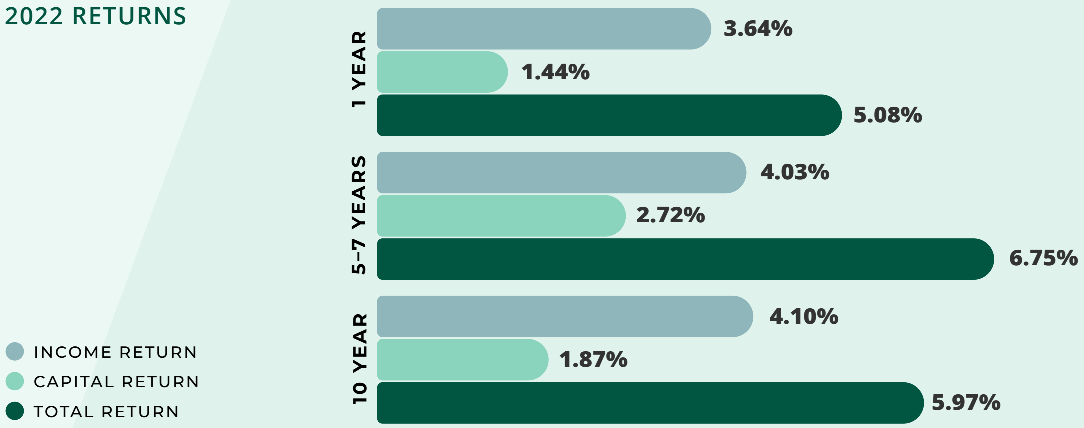
$3.5B
London Life Real Estate Fund

$4.8B
Canada Life General Account

49.1M
Total square feet

245
Total number of assets

2022 RETURNS




Le Livmore (Montreal, QC)


Le Livmore (Montreal, QC)


Le Livmore (Montreal, QC)


Chronicle (Vancouver, BC)

BUILDING FOR TOMORROW

In order to create value and provide long-term returns for our clients, we draw on research-based insight, local expertise, and on-the-ground connections to develop projects that meet market needs. An example of our innovative approach to development is the Livmore brand of purpose-built residential buildings. In 2022, we celebrated the successful completion of Phase I of Le Livmore Ville-Marie in downtown Montreal.

With each of our new residential development projects, we continually raise the standard for apartment living, and Le Livmore is no exception. In addition to a stunning indoor pool, the building boasts other unique amenities, including a 1930s speakeasy-inspired private bar, a wine cellar, a fireplace lounge, a dog run, and a fitness centre.

We also opened Vancouver Centre II and stabilized two residential projects — Chronicle in Vancouver, BC, and Livmore High Park in Toronto, ON — transitioning them from development status to income-producing properties.

We closed 2022 with a total development pipeline of $3 billion. Our development pipeline includes active projects (two residential buildings and one industrial building) as well as projects that are in planning or pre-planning (six residential buildings, two industrial buildings, and one office building).


Bowline (Vancouver, BC)

$3B

Total development pipeline

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KEEPING PACE WITH DEMAND

In 2022, we actively pursued the acquisition of income-producing properties and land development opportunities as well as the disposition of select non-core assets totalling $352 million in overall investment activity.

Leading the way was the industrial asset class, which continued to be a top performer driven by shifting consumer behaviours as industries such as e-commerce seek out warehouse space to keep pace with demand.

A highlight of the year was the South Shore portfolio, an acquisition of seven Class 'A' industrial buildings in a key growth node in the Greater Montreal Area (GMA). We made this acquisition on behalf of the Canadian Real Estate Investment Fund No. 1 (CREIF) and it represents more than 416,000 square feet of high-quality industrial assets featuring exceptional physical attributes, direct proximity to major highways servicing the GMA and providing access to the neighbouring Ontario and U.S. markets.

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transactions consisting of strategic acquisitions and disposition of non-core assets

The Harwood (Vancouver, BC)

South Shore Portfolio (Greater Montreal Area, QC)

Centre 61 Industrial Building (Calgary, AB)

High Plains Industrial Portfolio (Balzac, AB)

RENEWED LEASING ACTIVITY

Across our portfolio, we experienced renewed demand for leasing. Leading the way were the industrial and residential asset classes, where vacancy rates closed the year at record lows across major Canadian markets with overall occupancy rates of 98% and 97%, respectively.

A driver for leasing activity for our retail portfolio continued to be 'needs of life' sectors including grocery and healthcare, as well as rebounding demand from full and quick-service restaurants. In addition, 2022 saw a marked improvement for our shopping centres, with occupancy rates of 98% compared to 2021 levels of 95%.

Meanwhile, despite an ongoing evolution of hybrid work models, our office portfolio concluded leasing activity from a wide range of industry sectors including Financial Services, Government, and Technology firms. Research shows that office space remains central to collaboration, professional development and overall company engagement; combined with long-term employment growth projections, we remain confident in our approach to managing the portfolio.

TRANSACTIONS BY ASSET CLASS

RESIDENTIAL

3,753

Leases

INDUSTRIAL

3.5M

Sq. Ft.

RETAIL

427K

Sq. Ft.

OFFICE

1.7M

Sq. Ft.