

# Great-West Life Real Estate Fund

Q4 Bulletin 2024

## Key Facts

Date established

1981

Fund Strategy

CORE

Gross Fund Value

\$6.0B

Net Fund Value

\$4.3B

LTV %

28.2%

# of Properties

105

Commercial Sq Ft

13.6M

# of Residential Units

5,483

Image: Purdy's Wharf I & II, Halifax, NS

Total fourth quarter performance was muted at **-0.04%**, this represented a **46bps improvement relative to Q3 and 31bps improvement relative to Q2 performance. Total return for the calendar year was -0.62%, comprised of an annual income return of 3.72% that outpaced capital depreciation by 31bps. 0.93% of negative performance was attributed to the mark to market of the Fund's mortgage financing as bond yields have been retracting since Q4 of 2023.**

The Bank of Canada made cuts to the overnight rate twice in Q4 (to 3.25%) and would appear poised to continue on this path toward a terminal rate of ~2.5%. Despite the unknown impacts of a changing political and macro economic landscape, a reduced cost of capital should provide tailwinds for improved investment activity and performance as we head into 2025.

## Investment Activity

The evergreen objective of management is to constantly evaluate the existing state of the portfolio and seek opportunities to optimize the asset mix and overall performance. This strategic initiative requires a disciplined and, at times, patient approach to portfolio construction. The Fund has been active in 2024 in divesting of non-core assets while focusing on the development of new long-term holdings.

Three assets were sold in Q4. Office buildings in Calgary, AB and Houston, TX and an older-generation industrial portfolio consisting of three buildings in Mississauga, ON.

## Leasing Update

The overall Canadian office market witnessed an annual positive net absorption total of 2.6 million sq. ft. across 2024. This is the first year of positive net absorption for the office market since 2019 (Source: CBRE), and a welcomed signal that the depressed sector is recovering.

Purdy's Wharf is an iconic part of Halifax's striking skyline. It holds the honour of being Atlantic Canada's first LEED EB Gold Certified building thanks to extensive environmental BOMA BEST initiatives. Management has completed a series of extensive capital projects to update the building standard and to attract and retain tenants. 107K sq. ft. of new leasing has recently been completed, improving the overall occupancy by 15% across the complex.

## Forward Outlook

As we look ahead to 2025, it is timely to recall that Fund values are reflective of real time market conditions by virtue of the robust quarterly external appraisal valuation process. Already realized capital adjustments ensure the Fund will benefit from real time investment metric changes, as the cost of capital declines and fundamentals improve.

Keep an eye out for the soon to be release second installment of 'Building Blocks', our new podcast which aims to dive deeper into market trends and ongoing Fund activities.

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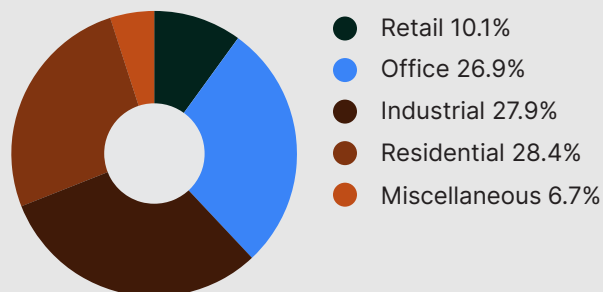
Gross Return	Annualized				YTD
	1 Year	3 Year	5 Year	10 Year	31-Dec
Income	3.5%	3.5%	3.7%	4.1%	3.7%
Capital	(6.0)%	(0.1)%	0.8%	1.4%	(4.3)%
<b>Total</b>	<b>(2.4)%</b>	<b>3.4%</b>	<b>4.5%</b>	<b>5.5%</b>	<b>(0.6)%</b>

Note: Differences due to rounding of decimals.

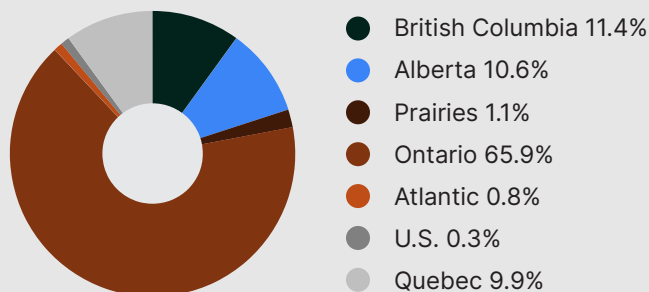
Fund Growth (\$ Millions)						YTD
	2019	2020	2021	2022	2023	31-Dec
Real estate	\$ 5,966	\$ 5,639	\$ 6,141	\$ 6,502	\$ 6,312	\$ 5,916
Cash	\$ 443	\$ 831	\$ 449	\$ 415	\$ 320	\$ 303
Short term assets & liabilities	\$ (172)	\$ (150)	\$ (134)	\$ (166)	\$ (195)	\$ (185)
Gross fund value	\$ 6,238	\$ 6,320	\$ 6,456	\$ 6,751	\$ 6,312	\$ 6,034
Net fund value	\$ 5,163	\$ 5,196	\$ 5,316	\$ 5,386	\$ 4,751	\$ 4,335
Debt/gross fund value	17.2%	17.8%	17.7%	20.2%	26.2%	28.2%

Note: Differences due to rounding of decimals.

### Diversification by Type (Gross)



### Diversification by Region (Gross)



### Vacancy as % of total – By type

Retail	0.4%
Office	8.3%
Industrial	1.6%
Residential	0.9%
<b>Total by type</b>	<b>11.2%</b>

### Vacancy as % of total – By region

British Columbia	0.4%
Alberta	2.6%
Prairies	0.4%
Ontario	5.5%
Quebec	0.8%
Atlantic	0.5%
U.S.	1.1%
<b>Total by region</b>	<b>11.2%</b>

Image: Purdy's Wharf I & II, Halifax, NS



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.