IB9.4 Attachment 1

Toronto Investment Board

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Prepared by Retirement & Investment

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Volatility Creates Opportunity

INVESTING POST-CORONAVIRUS

Public markets have been quick to react

- Blind pool, non-core, commingled funds that line up with the readjusted long-term real estate trends of the post-coronavirus world will be particularly compelling investment opportunities
- Preference for opportunistic real estate over other private real estate strategies
- We expect the following property sectors to react accordingly:
  - **Positive: enable consumption in a socially distanced/restricted world**
    - Industrial
    - Data Centers
  - **Neutral: uncertain or limited impact of pandemic**
    - Single Family Housing
    - Apartments
    - Office
  - **Negative: heavily impacted by pandemic**
    - Retail (Malls in particular)
    - Senior Housing
    - Lodging

Source: The Townsend Group Townsend's views are as of the date of this publication and may be changed or modified at any time and without notice. Actual results and developments may differ materially from those expressed or implied herein

Views by Sector

	Office Sector	Apartment	Industrial	Retail
Central Theme	Uncertainty. A decline in jobs will result in an immediate decline in demand	Defensive sector. Expect occupancy to be resilient by rents to rebase lower	Defensive sector. Well positioned to benefit from shifting consumption patterns	The straw that broke the camel's back?
Key Metric	Employment	Employment	Demand for e-Commerce	Consumer Confidence/ Tenant Financial Strength
Post-COVID Shift	Broad shift to work-from-home and/or transition to hoteling	Current eviction protection with high retention = high occupancy	Social distancing has demonstrated a critical need for online presence	Rent collection in April substantially lagged other sectors (<40% collected)
Comments	▪ Hoteling reduces space need by 35-45% ▪ The need to social distance could create need for smaller, local offices, bucking densification trends (we view this as less likely than hoteling)	▪ Individuals remain in apartments as lending standards tighten ▪ Forecasted wave of divorces increase household formation ▪ Meaningful decline in rents (15% job loss = 11% decline in rents)	▪ E-commerce is expected to drive demand for warehouse space ▪ Infill and large diversified industrial is trading at a premium to private mkt valuations ▪ Near-term demand is expected to face some headwinds as a large number of industrial tenants are smaller	▪ Underlying tenant financial strength was deteriorating pre-COVID, bankruptcies and store closures will accelerate ▪ Low quality malls will likely breech debt covenants, have to raise equity ▪ Rents will rebase, occupancy will decline

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