

May 30, 2019

For Immediate Release

Advance Residence Investment Corporation
Securities Code : 3269
1-105 Kanda-Jinbocho, Chiyoda-ku, Tokyo
Kenji Kousaka, Executive Director

Asset Management Company:
AD Investment Management Co., Ltd.
Kenji Kousaka, President

Inquiries:
Hiroshi Kawakami, Managing Director, CFO
TEL. +81-3-3518-0480

Notice Concerning Acquisition of Investment Asset (RESIDIA Shin-Osaka II)

AD Investment Management Co., Ltd. (ADIM) the asset management company to which Advance Residence Investment Corporation (ADR) entrusts the management of its assets announced its decision today to have ADR acquire an asset in Japan (hereafter, the “Acquisition”) as detailed below as part of ADR’s growth strategy.

1. Details of the Acquisition

ADIM decided on the following acquisition pursuant to the target and policy of asset management as stipulated in the Articles of Incorporation of ADR, to build a portfolio that earns stable income through diversified investment in all regions and in all apartment unit types.

Name of The Asset-To-Be-Acquired ^(Note 1)	RESIDIA Shin-Osaka II (Real Estate)
Proposed Acquisition Price (Price / Appraisal ratio) ^(Note 2)	647,058 thousand yen (92.3%)
Real Estate Appraisal Value ^(Note 3)	701,000 thousand yen
NOI Yield ^(Note 4)	5.0%
Yield after Depreciation ^(Note 5)	4.3%
Building Age ^(Note 6)	11.3year
Seller	Individual (Not disclosed)
Scheduled Contract Date	May 30, 2019
Scheduled Acquisition Date	May 31, 2019
Acquisition Financing (Payment Method)	Cash-on-hand (Full payment on delivery)
Collateral	None

(Note 1) The name of the property is scheduled to be changed after the acquisition is completed to the name listed above.

The name before the change is 「PREGIO Shin-mido」

(Note 2) “Proposed acquisition price” indicates the purchase price for the property entered in the real estate transaction agreement, which is exclusive of the various expenses required in the acquisition of the property (taxes and public dues, etc)

(Note 3) Appraisal Date is March 12, 2019

(Note 4) The “NOI Yield” is calculated using the figures in the acquisition appraisal of the asset-to-be-acquired. The calculation is as follows; “Total annualized NOI ÷ Total acquisition price × 100”. The calculated yields are rounded at the second decimal point.

(Note 5) The “Yield after depreciation” is calculated using the figures in the acquisition appraisal of asset-to-be-acquired. The calculation is as follows; “(Annualized NOI listed on the appraisal at the time of acquisition – depreciation) ÷ acquisition price × 100”.

The calculated yield is rounded at the second decimal point. Depreciation of the asset-to-be-acquired is calculated using same straight-line method as the portfolio and expect depreciation of 4,557 thousand yen per annum.

(Note 6) The building age is the age of the building as of today, rounded at the second decimal point.

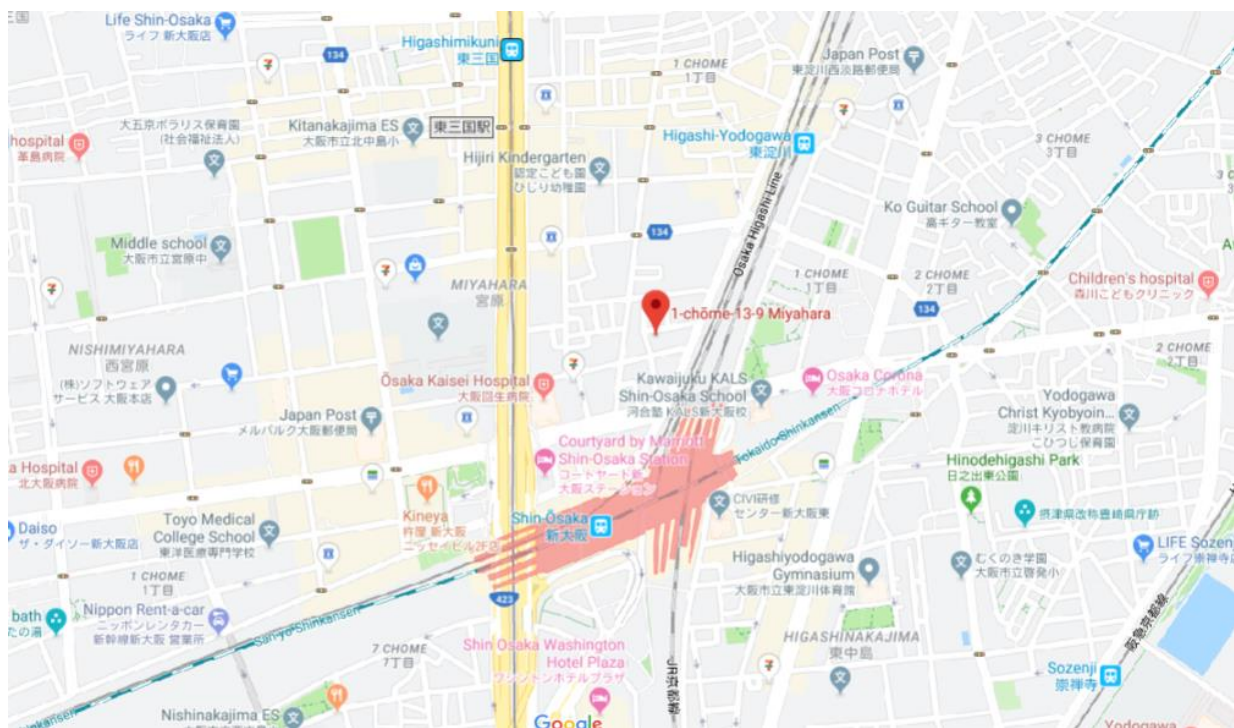
The real estate acquisition market continues to be very competitive with prices inflated and new supply of good quality properties in good location limited, especially, for centrally located properties in major cities where stable rental demands can be expected.

Under such an environment, ADR has succeeded in acquiring a property for singles located in Osaka at 92.3% of the appraisal price, by using ADIM's own sourcing network.

In recent years, rents in Osaka area as a whole have been declining. However, rental apartments around Shin-Osaka Station, a Tokaido-Sanyo Shinkansen (bullet train) station, where the property is located, show steady demand from business transferees who commute to Osaka's major business areas such as Umeda and the rents in this area including this property have been stable over the past few years. Therefore, unlike other areas of Osaka, we believe the area around Shin-Osaka Station has not a lot to worry about weakening rents.

In addition, the property is located very close to Shin-Osaka Station, it is only a 5 minute walk and consists of studio and one bedroom units, which fit the needs of volume segment tenants, single-person transferees. Hence, we believe the property to be competitive within the area.

2. Map of the Asset-To-Be-Acquired (1-13-9 Miyahara, Yodogawa-ku, Osaka)



©Google

3. Photos of the Asset-To-Be-Acquired



4. Summary of The Asset-To-Be-Acquired

Property Number	R-77
Name of The Asset-To-Be-Acquired	RESIDIA Shin-Osaka II
Address	1-13-9 Miyahara, Yodogawa-ku, Osaka-city, Osaka prefecture

Land	
Type of Ownership	Proprietary ownership
Site Area	469.15m ²
Zoning	Commercial zone
FAR / Building Coverage Ratio	600% / 80%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	1,252.09 m ²
Structure / Floors	Reinforced concrete with flat roof / 8 floors
Use	Multi-family housing
Construction Completion Date	February, 2008
Building Inspector	Nihon Confirmation and Inspection Center
Building Designer	FKO Archi Design
Structural Engineer	Hojo Structure Research Institute
Construction Contractor	Shiohama Industry Corp.

Trustee	-
Trust Contract Period	-
Property Manager	Tokyu Housing Lease Corp.
Master Lessee	Tokyu Housing Lease Corp.
Master Lease type	Pass-through

Summary of Building Conditions Investigation Report	
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation Date	March 12, 2019
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥ 31,864 thousand
Building Replacement Price	¥ 309,000 thousand

Earthquake PML	8.9%
----------------	------

Lease Conditions	
Point in Time	as of April 30, 2019
Total Tenants	1
Leasable Units	35
Leased Units	34
Leasable Floor Area	1,037.47 m ²
Leased Floor Area	1,001.60 m ²
Occupancy Rate (based on floor area)	96.5 %
Monthly Rent (including common service charges)	¥ 3,022 thousand
Deposits, Guarantees, etc.	¥ 1,304 thousand

Number of Units by Type	
Single	21
Compact	14
Family	0
Large	0
Dormitory	0
Other	0

Special Notation	
	None

* Please refer to “Notes and definitions on items on the tables in the press releases for asset acquisition” on ADR’s website for details on items on the above table (<https://www.adr-reit.com/financial/bukken/>)

5. Appraisal Report Summary

Name of Property	RESIDIA Shin-Osaka II	Appraisal Date	March 12, 2019
Appraiser	JLL Morii Valuation & Advisory K.K	Appraisal Value	701,000 thousand yen
Appraisal Items		Appraised Value	Basis
Income Capitalization Approach Value		701,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.
Direct Capitalization Price		714,000	
Total Potential Income		43,723	
Rent Income		42,377	Estimated from average rent based on the current lease agreement and from mid to long-term stabilized rent.
Other Income		1,346	Estimated using historical figures.
Total Effective Income		41,303	
Losses from Vacancies, etc.		2,420	Estimated using standard vacancy rate but adjusted for specific characteristics of the property.
Losses from Delinquencies		0	Not applicable. Secured through guarantee deposit.
Expenses from Rental Business		8,778	
Maintenance and Management Fees		1,488	Estimated using historical figures and by referring to the cost of comparable property.
Utilities Costs		716	Estimated using historical figures and by referring to the cost of comparable property.
Management Commission Fees		1,218	Estimated by referring to the cost of comparable property.
Taxes and Public Dues		1,989	Assessed using historical figures adjusted for depreciation.
Non-life Insurance Premiums		68	Estimated based on the insurance premium for the property.
Leasing Expenses		1,067	Referred to regional practices, turnover rate of the property and estimated by looking at how much is needed in leasing to new tenants.
Repair Costs		1,427	Repair costs are estimated as 30% of repair fees assumed in the engineering report. Restoration fees are estimated using historical figures and turnover rated and referring to the level of expenditures in comparable properties.
Other Expenses		805	Estimated using historical figures.
Net Operating Income		32,525	
Earnings from Deposits		27	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.
Capital Expenditures		1,859	70% of flattened capital expenditure estimated in the engineering report.
Net Cash Flow DCF Price		30,693	
Cap Rate		4.3%	Discount rate adjusted by risk on changes in future net income and principal value.
DCF Price		687,000	
Discount Rate		4.1%	Estimated by taking account of market trend, locality and specific feature of the property.
Terminal Cap Rate		4.5%	Added a premium on future risks.
Cost Approach Value		467,000	
Land Ratio		71.6%	
Building Ratio		28.4%	
Other Matters of Consideration			
The major reason for the significant difference between income capitalization approach value and cost approach value is because, in the cost approach, the fact that the property still retained high profitability after eleven years after completion could not be fully factored in the depreciation adjustment.			

6. Seller Profile

The seller of the property is an individual whose name and details are not disclosed according to the seller's wishes.

7. Property Titleholder (for transactions with parties with special interest)

Omitted. Property is not acquired from parties with special interest.

8. Matters Concerning Earthquake Resistance

The validity of structural calculation document on the asset-to-be-acquired has been examined by a third-party inspector, Tokio Marine & Nichido Risk Consulting Co., Ltd. ADR has obtained the inspection results stating that no intentional manipulations, falsifications or other corruptions in the structural calculation document were found and that the structural calculation is deemed to have been performed in accordance with the law.

9. Broker Profile

The broker of the property is a domestic real estate company whose name and details are not disclosed according to their wishes. The broker does not constitute a party having particular vested interest in ADR or ADIM.

10. Future Outlook

The effect of the Acquisition on the management performance forecasts for fiscal periods ending July 2019 and January 2020 is negligible. Therefore, the forecasts remain unchanged.

About Advance Residence Investment Corporation

Advance Residence Investment Corporation is the largest residential J-REIT, investing in over 260 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 400 billion yen). ADR can be expected have a stable dividend in the long-term and can be considered as a defensive J-REIT, on back of the stable income from residential assets and with the largest dividend reserve among J-REITs. ADR's website: <https://www.adr-reit.com/en/>

[Provisional Translation Only]

English translation of the original Japanese document is provided solely for information purposes.

Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.