

December 23, 2020

For Immediate Release

Advance Residence Investment Corporation

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Notice Concerning Disposition of Investment Assets
(RESIDIA Yoyoginomori and RESIDIA Kyodo)

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 dispose assets in Japan (hereafter, the "Dispositions") as detailed below as part of ADR's growth strategy.

1. Details of the Dispositions

- (1) The dispositions are part of an asset replacement operation (hereinafter, the "Replacement"). ADR has acquired two assets (RESIDIA Nakano-Fujimidai and RESIDIA Shirokitakoen-dori) located in Japan (hereinafter, the "Acquisition")^(Note 1) prior to the dispositions. ADR decided to dispose the assets because it determined that the replacement will be beneficial to the unitholders' value, since even after the dispositions, the replacement will increase operating income of the portfolio and generate gain on sale. The individual reasons for choosing the disposed assets are as follows.

1) RESIDIA Yoyoginomori

The property was chosen because of the low yield. Its yield after depreciation^(Note 2) based on the acquisition price is 3.4%, which is lower than the average yield of 4.2% for ADR's properties in the 7 major central wards.

2) RESIDIA Kyodo

The property was chosen because of its small size. The book value^(Note 3) (as of July 2020) is 262 million yen and due to its age, there is also a need for additional investment for equipment renewals and repair works.

Property Name	RESIDIA Yoyoginomori	RESIDIA Kyodo
Location	Shibuya-ku, Tokyo	Setagaya-ku, Tokyo
Type of Asset	Beneficiary Interests in Trust	Beneficiary Interests in Trust
Disposition Price	919million yen	357million yen
Appraisal Value ⁴	781million yen	354million yen
NOI Yield ⁵	3.3%	3.8%
Book Value ³	691million yen	262million yen
Difference Between Disposition Price and Book Value	227million yen	94million yen
Counterparty	Not disclosed	
Scheduled Contract Date	December 23, 2020	
Scheduled Settlement Date	January 28, 2021	December 25, 2020
Payment Method	10% on contract balance payment on delivery	full payment on delivery

- Note 1. For details, please refer to "Notice Concerning Acquisition of Investment Asset (RESIDIA Nakano-Fujimidai)" dated September 29, 2020 and "Notice Concerning Acquisition of Investment Asset (RESIDIA Shirokitakoen-dori)" dated November 25, 2020.
2. "Yield after Depreciation" is calculated as follows. $(\text{Average actual annual NOI for 6 fiscal period (3 years) from January 2018 to July 2020} - \text{Average actual annual depreciation for the same period}) \div \text{Acquisition price} \times 100$ ". The calculated yield is rounded at the second decimal point. The same yield after depreciation for RESIDIA Kyodo is 3.8%.
 3. "Book value" as of Scheduled Settlement Date.
 4. "Appraisal Value" of the asset to be disposed is as of July.
 5. "NOI Yield" is calculated as follows. $\text{Average annual NOI for the period from January 2018 to July 2020} \div \text{disposition price} \times 100$ ". The NOI yield based on acquisition price for the properties are 4.2% for RESIDIA Yoyoginomori and 4.8% for RESIDIA Kyodo.

2. Details of the Results of the Replacement and Future Outlook

AUM and profits are expected to increase as a result of the replacement as follows. There will also be a gain on sales of approximately 292 million yen (After deducting expenses) from the dispositions, which we are considering to retain part of the earnings.

The effect of the disposition on the management performance forecasts for fiscal periods ending January 2021 and July 2021 are negligible. Therefore, the forecasts remain unchanged.

	Acquisitions	Dispositions	Difference
AUM ⁶	2,904million yen	953million yen	+1,950million yen
NOI ⁷	141million yen	44million yen	+97million yen
Earnings from rental business ⁸	120million yen	36million yen	+84million yen

- Note 6. The "AUM" for "Acquisitions" is the total of acquisition price of the acquired assets. "AUM" for "Dispositions" is the total of disposition price of the assets-to-be-disposed.
7. The "NOI" of "Acquisitions" is the total of the annualized NOI listed on each asset's appraisal report at the time of acquisition. The "NOI" of "Dispositions" is the total of the average actual annual NOI for the period from January 2018 to July 2020.
 8. "Earnings from rental business" for "Acquisitions" is the total of each acquired asset's annualized NOI listed on the appraisal at the time of acquisition minus the assumed annual depreciation.
"Earnings from rental business" for "Dispositions" is the total of each asset-to-be-disposed average annual NOI for the period from January 2018 to July 2020 minus average annual depreciation for the same period.

3. Summary of disposition

(1) Summary of the Assets-To-Be-disposed

No.	①	②
Name of the asset-to-be-disposed	P-15	P-34
Name of the asset-to-be-disposed	RESIDIA Yoyoginomiori	RESIDIA Kyodo
Address	1-3-3, Yoyogi, Shibuya-ku, Tokyo	4-15-4, Kyodo, Setagayaya-ku, Tokyo

Land		
Type of ownership	Proprietary ownership	Proprietary ownership
Site area	253.87 m ²	264.89 m ²
Zoning	Category II residential zone	Category I residential zone
FAR / Building coverage ratio	300%/60%	200%/60%

Building		
Type of ownership	Proprietary ownership	Proprietary ownership
Total floor area	886.85m ²	513.74m ²
Structure / Floors	RC with flat roof, 7F/B1F	RC with flat roof, 4F
Use	Multi-family housing	Multi-family housing
Construction completion date	March 2007	February 2005

Trustee	Mizuho Trust & Banking Co., Ltd.	Mitsubishi UFJ Trust and Banking Corporation
Contract Term	to February 28, 2023	to March 31, 2022

Lease Conditions		
Point in time	as of November 30, 2020	as of February 29, 2020
Total Tenants	1	1
Leasable units	22 units	15 units
Leased units	19 units	15 units
Leasable floor area	723.10 m ²	509.66 m ²
Leased floor area	616.75 m ²	509.66 m ²
Occupancy rate (based on floor area)	85.3%	100.0%
Monthly rent (including common service charges)	¥ 2,802 thousand	¥ 1,665 thousand
Deposits, guarantees, etc.	¥ 3,767 thousand	¥ 1,813 thousand

Breakdown of residential unit type		
Single	10 units	10 units
Compact	12 units	5 units
Family	-	-
Large	-	-
Dormitory	-	-
Other	-	-

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 above table. (https://www.adr-reit.com/en/financial/news/notice_aquisition_e.pdf)

(2) Summary of Appraisal Report (monetary unit: thousand yen)

i. RESIDIA Yoyoginomori

Appraiser	Japan Real Estate Institute	Real estate appraisal value	781,000,000 yen
Appraisal item		Appraised value	Basis
Income capitalization approach value		781,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.
Direct capitalization price		794,000	
Total potential profit		41,831	
Rent income		39,036	Based on the current rent and the assumed rent when newly rented, estimated the rent that can be stably received over the medium to long term.
Other income		2,795	Recorded key money, renewal fee income, income from mobile communication base station equipment installation fees and electricity usage fees, and electricity fee income from communication equipment.
Total effective profit		40,196	
Losses from vacancies, etc.		1,635	Based on medium- to long-term stable occupancy rate level based on the occupancy status and supply and demand trends of similar real estate that are in a relationship of alternative competition in similar areas within the same supply and demand area, and the past occupancy status and future trends of the target real estate.
Bad debts losses		0	
Expenses from rental business		8,711	
Maintenance and management fees		1,656	Estimated by referring to past fiscal year's figures and similar properties.
Utilities costs		750	Estimated by referring to past fiscal year's figures and similar properties.
Management commission fees		1,124	Recorded in consideration of the remuneration rate for similar real estate, the individuality, etc., with reference to the remuneration rate based on the contract conditions.
Taxes and public dues		2,061	Recorded in consideration of materials related to taxes and public dues and the contents of burden adjustment measures.
Non-life insurance premiums		51	Estimated basing on contract and similar properties.
Leasing expenses		1,776	Estimated in consideration of tenant solicitation costs for similar real estate and referring to past fiscal year's figures.
Repair costs		1,235	Estimated by referring to ER, similar examples cost of restoration to original state. Renewal fees were estimated by looking at how much fee is paid at the time of renewal and considering the expected turnover rate and vacancy rate.
Other expenses		58	CATV fee etc..
Net Operating Income		31,485	
Earnings from Deposits		30	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.
Capital expenditures		1,351	Estimated by referring to annual average of restoration expense listed on the engineering report.
Net Cash Flow		30,164	
Cap rate		3.8%	The cap rate is estimated by adding the yield spread determined by locality, specifications and age of the building to the base yield as well as referring to actual cap rates in deals for similar properties.
DCF Price		767,000	
Discount rate		3.6%	Based on comparisons with discount rates for transactions of similar real estate and yields on other financial instruments.
Terminal cap rate		4.0%	Assessed after comprehensively considering future trends in investment yields, risks of target real estate as investment targets, general forecasts of future economic growth rates, real estate price and rent trends, etc.
Other matters of consideration			
None			

ii. RESIDIA Kyodo

Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.		Real estate appraisal value	354,000,000 yen
Appraisal item		Appraised value	Basis	
Income capitalization approach value		354,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct capitalization price		360,000		
Total potential profit		19,939		
Rent income		19,609	Based on the current rent level, new rent level of similar properties, the estimated rent income and common service fee income are recorded in consideration of the medium- to long-term competitiveness.	
Other income		330	Renewal fee income is recorded in consideration of the vacancy rate. And recorded the vending machine installation income, etc..	
Total effective profit		18,763		
Losses from vacancies, etc.		1,176	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Bad debts losses		0		
Expenses from rental business		3,505		
Maintenance and management fees		660	Estimated by referring to past fiscal year's figures and fees for similar properties.	
Utilities costs		314	Estimated by referring to past fiscal year's figures, cost of similar properties.	
Management commission fees		557	verified the PM fee level of similar real estate and assessed it as a standard PM fee equivalent to 3.0%.	
Taxes and public dues		876	Assessed based on the actual amount in 2020, taking into account the burden level.	
Non-life insurance premiums		24	Based on past fiscal year's figures	
Leasing expenses		554	Recorded with reference to tenant recruitment costs for similar real estate.	
Repair costs		396	Recorded based on the annual average repair cost stated in the ER. In addition, the tenant replacement cost is recorded after assessing the maintenance cost of the rental room due to the move-out of the lessee and considering the replacement rate.	
Other expenses		120	CATV fee etc.	
Net Operating Income		15,257		
Earnings from Deposits		22	Assumed by taking into consideration both investment yield and financing cost.	
Capital expenditures		520	Recorded based on the annual average renewal cost stated in the ER.	
Net Cash Flow		14,759		
Cap rate		4.1%	Assessed with reference to the capitalization rate, etc. in the appraisal of J-REIT properties, etc. in the same supply and demand area.	
DCF Price		351,000		
Discount rate		3.9%	The discount rate is estimated by comparing the discount rate used in actual deals for similar properties and reflecting the individual characteristics of the property.	
Terminal cap rate		4.3%	Assessed in consideration of the marketability of the target real estate at the expiration of the holding period for the capitalization rate.	
Other matters of consideration				
None				

4. Financial Impact on ADR in the Event of Failure to Fulfill Forward Commitment or Similar Agreement

The transaction for the asset-to-be-disposed constitute a forward commitment or similar agreement^(Note 9) by an investment corporation as stipulated in "The Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." by the Financial Services Agency.

In the event of a violation of provisions in the Agreement by ADR or the buyer, the counterparty shall have the right to terminate the Agreement and claim an amount equivalent to 20% of the transaction price of the asset-to-be-disposed as penalty.

And under the Agreement there is a condition that ADR shall not be obliged to pay penalties to the transferee regarding the expiration or cancellation of this Agreement, except where ADR is at fault.

Note 9. Refers to a postdated purchase and sales agreement under which payment and property delivery shall be made at least 1 month after the conclusion of the agreement, or any other agreement similar thereof.

5. Counterparty Profile

The counterparty of RESIDIA Yoyoginomori is a special purpose company and the counterparty of RESIDIA Kyodo is a domestic company. And whose names and details are not disclosed according to their wishes. The counterparties do not constitute parties having particular vested interest in ADR or ADIM.

6. Broker Profile

P-15 RESIDIA Yoyoginomori and P-34 RESDIA Kyodo

Broker Name	Nomura Real Estate Development Co., Ltd.
Head Office Location	1-26-2, Nishishinjuku, Shinjuku-ku, Tokyo
Representative	Seiichi Miyajima, President and Representative Director
Capital	2,000 million yen
Brokerage Fee	Not disclosed according to their wishes.
Relationship with ADR or ADIM	None

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

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

About Advance Residence Investment Corporation

Advance Residence Investment Corporation is the largest residential J-REIT, investing in over 270 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 450 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/>