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For Immediate Release

Advance Residence Investment Corporation

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Notice Concerning Disposition of Investment Assets
(RESIDIA Yoyogi and RESIDIA Nishi-Shinjuku)

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 ADIM dispose of assets located in Japan (hereafter, the “Disposition”) as detailed below pursuant to the targets and policies of asset management as stipulated in the Articles of Incorporation of ADR, based on comprehensive consideration of matters including stable earnings and the state of the real estate market.

1. Details of the Disposition

The purpose of the Disposition is to realize stable dividend payout through realization of gain on sale. The disposition price will exceed the book value, and the gain on sale from the Disposition, and we are considering retaining part of the earnings as reserves.

Property Name	RESIDIA Yoyogi	RESIDIA Nishi-Shinjuku
Location	4-34-10 Yoyogi, Shibuya-ku, Tokyo	8-5-7 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Type of Asset	Beneficiary Interests in Trust	Beneficiary Interests in Trust
Disposition Price	504 million yen	586 million yen
Appraisal Value ¹	410 million yen	454 million yen
NOI Yield ²	3.1%	3.0%
Book Value ³	302 million yen	335 million yen
Difference between Disposition Price and Book Value	201 million yen	250 million yen
Counterparty	Not disclosed	
Scheduled Contract Date	August 26, 2021	
Scheduled Settlement Date	October 18, 2021	
Payment Method	Full payment on delivery	

Note 1. “Appraisal Value” of the asset to be disposed of is as of July 31, 2021.

Note 2. “NOI Yield” is calculated as follows based on the Disposition Price: “(Average actual annual NOI between the period from July 2018 to January 2021) ÷ estimated disposition price × 100.” The calculated yield is rounded at the second decimal point. The NOI Yields calculated based on the acquisition price are 4.8% for RESIDIA Yoyogi and 4.9% for RESIDIA Nishi-Shinjuku.

Note 3. “Book value” is the estimated price as of the Scheduled Settlement Date.

2. Summary of Disposition

No.	(1)	(2)
Property Number	P-32	P-33
Name of the Asset to Be Disposed of	RESIDIA Yoyogi	RESIDIA Nishi-Shinjuku
Address	4-34-10 Yoyogi, Shibuya-ku, Tokyo	8-5-7 Nishi-Shinjuku, Shinjuku-ku, Tokyo

Land		
Type of Ownership	Proprietary ownership	Proprietary ownership
Site Area	230.58 m ²	220.85 m ²
Zoning	Category 2 medium-to-high-rise exclusive residential district	Commercial district
FAR / Building Coverage Ratio	300% / 60%	500% / 80%

Building		
Type of Ownership	Proprietary ownership	Proprietary ownership
Total Floor Space	545.43 m ²	498.65 m ²
Structure / Floors	Reinforced concrete with flat roof / 4 floors	Reinforced concrete with flat roof / 5 floors
Application	Multi-family housing	Multi-family housing
Construction Completion Date	February 2005	February 2005

Trustee	Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Trust and Banking Corporation
Trust Period	to March 31, 2026	to March 31, 2026

Lease Conditions		
Point in Time	as of July 31, 2021	as of July 31, 2021
Total Tenants	1	1
Leasable Units	16	19
Leased Units	16	18
Leasable Floor Area	464.64 m ²	478.57 m ²
Leased Area	464.64 m ²	457.91 m ²
Occupancy Rate (based on floor area)	100.0%	95.7%
Monthly Rent	1,814 thousand yen	1,967 thousand yen
Deposits, Guarantees, etc.	2,272 thousand yen	2,390 thousand yen

Number of Units by Type		
Single	16	15
Compact	-	4
Family	-	-
Large	-	-
Dormitory	-	-
Other	-	-

Special Notation		
	Not applicable	Not applicable

3. Summary of Appraisal Report

(1) RESIDIA Yoyogi

As of July 31, 2021

Appraiser	Daiwa Real Estate Appraisal Co., Ltd.		Appraised value	410,000 thousand yen
Appraisal item		Appraised value (thousands of yen)	Basis	
Income Capitalization Approach Value		410,000	Income capitalization approach value was appraised using both the DCF method and direct capitalization method.	
	Direct Capitalization Price	419,000		
	Total Potential Income	21,878		
	Rent Income	21,583	Based on the current rent level and the new rent level of similar properties within the same supply and demand area, the estimated standardized rent income and common service fee income are recorded in consideration of the medium- to long-term competitiveness of the property.	
	Other Income	294	Calculated with the estimated renewal rate and considering the PM fee. Other incidental income is estimated using current income.	
	Total Effective Income	20,583		
	Losses from Vacancies, etc.	1,295	Referred to the property's past vacancies and the standard vacancy rate of similar properties, taking into consideration the competitiveness of the property, etc., to estimate the medium- to long-term stabilized vacancy rate.	
	Losses from Delinquencies	0		
	Expenses from Rental Business	4,102		
	Maintenance and Management Fees	718	Estimated using the current contract.	
	Utilities Costs	252	Estimated by referring to historical figures and by referring to the utility costs of comparable properties.	
	Management Commission Fees	608	Verified the current PM fee level with similar real estate and assessed it as a standard PM fee reflected in rent income, etc.	
	Taxes and Public Dues	1,150	Land: Assessed using the actual amount in 2021 and the burden rate.	
	Non-life Insurance Premiums	23	Building: Assessed based on the actual amount in 2021.	
	Leasing Expenses	614	Estimated by referring to the current cost.	
	Repairs Costs	609	Estimated turnover rate is used to derive the number of units to be leased, referring to past leasing expenses and taking into consideration leasing expenses of comparable properties.	
	Other Expenses	125	Estimated by referring to the engineering report, repair costs at comparable properties and taking into account the turnover rate and occupancy rate. Estimated the tenant turnover cost by considering the turnover ratio and vacancy ratio.	
	Net Operating Income	16,480	Estimated by referring to the current cost.	
	Earnings from Deposits	24	Estimated the rate of return considering both the investment yield and financing cost and multiplied it by the amount of assumed deposits.	
	Capital Expenditures	573	Estimated based on the level of capital expenditures calculated through study of the renewal costs for comparable properties and with reference to the engineering report.	
	Net Cash Flow	15,932		
Cap Rate	3.8%	Calculated by adding the risk of fluctuations in profits and principal to the discount rate.		
DCF Price	406,000			
Discount Rate	3.6%	Estimated by comparing the discount rate used for similar property deals and yield for other financial products, etc.		
Terminal Cap Rate	4.0%	Assessed considering the marketability of the target property at the expiration of the holding period for the capitalization rate.		
Cost Approach Value		396,000		
Land Ratio	83.4%			
Building Ratio	16.6%			
Other Matters for Consideration				
None				

(2) RESIDIA Nishi Shinjuku

As of July 31, 2021

Appraiser	Daiwa Real Estate Appraisal Co., Ltd.		Appraisal Value	454,000 thousand yen
Appraisal Items		Appraised Value (thousands of yen)	Basis	
Income Capitalization Approach Value		454,000	Income capitalization approach value was appraised using both the DCF method and direct capitalization method.	
	Direct Capitalization Price	464,000		
	Total Potential Income	24,544		
	Rent Income	24,316	Based on the current rent level, new rent level of similar properties within the same supply and demand area, the estimated standardized rent income and common service fee income are recorded in consideration of the medium- to long-term competitiveness.	
	Other Income	227	Estimated using estimation of renewal rate and considering the PM fee. Other incidental income recorded by referring to the current income.	
	Total Effective Income	23,085		
	Losses from Vacancies, etc.	1,458	Referred to the property's past vacancy rate and the standard vacancy rate of similar properties, taking into consideration the competitiveness of the property, etc., to estimate the medium- to long-term stabilized vacancy rate	
	Losses from Delinquencies	0		
	Expenses from Rental Business	4,464		
	Maintenance and Management Fees	842	Estimated using current contract.	
	Utilities Expenses	121	Estimated by referring to past fiscal year's figures, utility cost of similar properties.	
	Management Commission Fees	685	Verified current PM fee level with similar properties and assessed it as a standard PM fee reflected in rent income, etc.	
	Taxes	1,063	Land: Assessed using the actual amount in 2021 and burden rate.	
	Non-life Insurance Premiums	23	Building Assessed based on the actual amount in 2021.	
	Leasing Expenses	683	Estimated by referring to current cost.	
	Repairs Expense	964	Estimated by calculating the number of units to be leased using the estimated turnover rate, considering the past leasing expenses and those of comparable properties.	
	Other Expenses	80	Estimated by referring to the engineering report, repair costs at comparable properties and taking into account the turnover rate and occupancy rate. Estimated tenant turnover cost considering the turnover ratio and vacancy ratio.	
	Net Operating Income	18,620	Estimated by referring to the current cost.	
	Earnings from Deposits	27	Estimated the rate of return considering both the investment yield and financing cost and multiplied it by the amount of assumed deposits.	
	Capital Expenditures	564	Estimated based on the level of capital expenditures calculated through study of the renewal costs for comparable properties and with reference to the engineering report.	
	Net Cash Flow	18,084		
	Cap Rate	3.9%	Calculated by adding the risk of fluctuations in profits and principal to the discount rate.	
	DCF Price	449,000		
	Discount Rate	3.7%	Estimated by comparing the discount rate used for similar property deals and yield for other financial products, etc.	
Terminal Cap Rate	4.1%	Assessed considering the marketability of the target property at the expiration of the holding period for the capitalization rate.		
Cost Approach Value		302,000		
Land Ratio		80.5%		
Building Ratio		19.5%		
Other Matters for Consideration				
None				

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

The real estate sales transaction agreement (hereafter, “the Agreement”) for the asset to be disposed of constitutes a forward commitment or similar agreement ^(Note 4) by an investment corporation as stipulated in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. of 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 of as a penalty.

However, 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 4. Refers to a postdated purchase and sales agreement under which payment and property delivery shall be made at least one month after the conclusion of the agreement, or any other agreement similar thereto.

5. Counterparty Profile

The counterparties of RESIDIA Yoyogi and RESIDIA Nishi-Shinjuku are limited liability companies whose details are not disclosed according to their wishes. They do not constitute parties with any particular vested interest in ADR or ADIM.

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

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

7. Future Outlook

The effect of the Disposition on the management performance forecasts for the fiscal period ending January 2022 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 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/>