

August 23, 2022

For Immediate Release

Advance Residence Investment Corporation
Securities Code: 3269

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Notice Concerning Disposition of Investment Asset
(RESIDIA Kamiikebukuro)

ITOCHU REIT Management Co., Ltd. (IRM), the asset management company to which Advance Residence Investment Corporation (ADR) entrusts the management of its assets, today announced its decision to dispose of assets (hereafter, the “Disposition”) as detailed below pursuant to the asset management targets and policies 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 Kamiikebukuro
Location	4-12-12 Kamiikebukuro, Toshima-ku, Tokyo
Type of Asset	Beneficiary Interests in Trust
Disposition Price	860 million yen
Appraisal Value ¹	823 million yen
NOI Yield ²	3.8%
Book Value ³	504 million yen
Difference between Disposition Price and Book Value	355 million yen
Counterparty	Not disclosed
Scheduled Contract Date	August 23, 2022
Scheduled Settlement Date	September 1, 2022
Payment Method	Full payment on delivery

Note 1. “Appraisal Value” is as of July 31, 2022.

Note 2. “NOI Yield” is calculated as follows based on the Disposition Price: “(Average actual annual NOI in the period from July 2019 to January 2022) ÷ estimated disposition price × 100.” The calculated yield is rounded to the second decimal place. The NOI Yield calculated based on the acquisition price is 5.8%.

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

2. Summary of Disposition

Property Number	T-106
Property Name	RESIDIA Kamiikebukuro
Address	4-12-12 Kamiikebukuro, Toshima-ku, Tokyo
Land	
Type of Ownership	Beneficiary Interests in Trust
Area	383.70 m ²
Zoning	Category 1 residential districts
FAR/Building Coverage Ratio	300%/60%
Building	
Type of Ownership	Beneficiary Interests in Trust
Total Floor Area	1,183.89 m ²
Structure/Floors	Reinforced concrete with flat roof/8 floors
Use	Residence
Construction Completion Date	December 2001
Trustee	Sumitomo Mitsui Trust Banking Corporation
Trust Period	To January 22, 2023
Date of first acquisition ⁴	March 2, 2004
Lease Conditions	
Point in Time	As of July 31, 2022
Total Tenants	1
Leasable Units	44
Leased Units	43
Leasable Floor Area	979.04 m ²
Leased Floor Area	958.45 m ²
Occupancy Rate (based on floor area)	97.9%
Monthly Rent	3,512 thousand yen
Deposits, Guarantees, etc.	4,648 thousand yen
Single	43
Compact	1
Family	-
Large	-
Dormitory	-
Other	-
Other Relevant Information	
	Not applicable

Note 4. The date of acquisition by ADR prior to the merger is shown. ADR was established through the merger of the former ADR and Nippon Residential Investment Corporation, with March 1, 2010, as the date of incorporation, and was listed on the Tokyo Stock Exchange on March 2, 2010.

3. Summary of Appraisal Report

RESIDIA Kamiikebukuro

As of July 31, 2022

Appraiser	Japan Real Estate Institute	Appraised value	823,000 thousand yen
Appraisal item		Appraised value (thousand yen)	Basis
Income Capitalization Approach Value		823,000	Income capitalization approach value was appraised using both the DCF method and direct capitalization method.
Direct Capitalization Price	Total Potential Income	46,015	
	Rent Income	41,939	Appraised and recorded the unit price level of rent, etc. that can be stably received over the medium to long term, based on the average rent, etc. under the current lease contract, the level of new rent, etc. assuming that the subject property is newly leased, and the attributes of the occupying tenants.
	Other Income	4,076	Key money and renewal fee revenues are recorded based on the number of months' income received from individual tenants, the annual average tenant turnover rate, and the average length of contract. In addition, parking lot income, vending machine installation fees, and IT usage fees are recorded as other income.
	Total Effective Income	43,825	
	Losses from Vacancies, etc.	2,190	For each use, the stable mid- to long-term occupancy rate level is assessed based on the occupancy status and supply-demand trends of similar properties in similar areas within the same demand/supply zone that are in competition as alternatives, as well as the past occupancy status and future trends for the subject property, and losses from vacancies, etc. are recorded based on this assessment.
	Losses from Delinquencies	0	
	Expenses from Rental Business	10,110	
	Maintenance and Management Fees	2,365	Calculated with reference to the actual amounts in past fiscal years and maintenance costs of similar properties, and taking into account the individual characteristics of the subject property.
	Utilities Costs	550	Calculated by taking into account the individual characteristics of the subject property, with reference to the actual amounts in past fiscal years and the utilities expenses of similar properties.
	Management Commission Fees	1,221	Calculated with reference to the remuneration rate, etc. based on the contract conditions, and with consideration of the individuality of the subject property with reference to the remuneration rates of similar properties.
	Taxes and Public Dues	1,938	Calculated by taking into account the details of burden adjustment measures, etc. based on data related to tax and public dues.
	Non-life Insurance Premiums	57	Calculated by taking into account the insurance premiums based on the insurance contract and the insurance premium rates of similar properties.
	Leasing Expenses	1,743	The administrative fees for recruiting new tenants, concluding contracts, and renewing tenants are calculated with reference to the contract conditions and leasing conditions of similar properties in the neighborhood, etc. For leasing fees, etc., leasing fees necessary for recruiting new tenants, etc. and advertising expenses, etc. are assessed based on actual amounts from previous years, and for renewal fees, etc., fees paid to contractors when concluding renewal contracts, etc. Renewal fees are the fees paid to contractors upon conclusion of renewal contracts, etc., taking into account the annual average tenant turnover rate and occupancy rate, etc.
	Repair Costs	1,577	In appraising the repair expenses, the actual repair expenses for the past fiscal years, the level of repair expenses for similar properties, and the annual average amount of repair expenses in the engineering report, etc. were taken into account. In addition, in assessing the repair expenses, the amount of actual repair expenses in previous years, the level of repair expenses for similar properties, and the annual average of repair and renewal expenses in the engineering report were taken into consideration.
	Other Expenses	659	CATV facility usage fees and IT usage fees are included.
	Net Operating Income	33,715	
	Earnings from Deposits	31	Appraised the number of months of stable security deposit in the medium term based on the current lease conditions and the number of months of security deposit at the time of new contract, and multiplied the amount obtained by multiplying the occupancy rate by the investment yield to appraise and record the investment income of the lump sum.
		Capital Expenditures	2,227
Net Cash Flow	31,519		
Cap Rate	3.8%	Appraised by adding/subtracting the spread attributable to the subject property's location, building conditions, and other conditions to the standard yield, and by taking into account the future uncertainty and transaction yields of similar properties, etc.	
DCF Price	816,000		
Discount Rate	3.6%	Appraised after comprehensively taking into account the individual characteristics of the subject property, with reference to the investment yields, etc. of similar properties.	
	Terminal Cap Rate	3.9%	Appraised, with reference to the investment yields, etc. of similar properties, and taking into account the future trend of investment yields, riskiness of the subject property, general forecasts of future economic growth rates, real estate price and rent trends, etc. in a comprehensive manner.
Cost Approach Value	461,000		
Land Ratio	72.5%		
Building Ratio	27.5%		
Other Matters for Consideration			
None			

4. Counterparty Profile

The counterparty for RESIDIA Kamiikebukuro is a limited liability company whose details are not disclosed according to its wishes. It does not constitute a party with any particular vested interest in ADR or IRM.

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

Omitted. Property not acquired from parties with special interest.

6. Future Outlook

The effect of the Disposition on the management performance forecasts for the fiscal period ending January 2023 is negligible. Therefore, the forecasts remain unchanged.

About Advance Residence Investment Corporation

Advance Residence Investment Corporation is the largest J-REIT specializing in residential properties and is managed by ITOCHU REIT Management Co., Ltd. (IRM), the asset management company of the ITOCHU Group, investing in over 270 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 460 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.

"Advance" is the common brand name of the real estate investment corporation managed by ITOCHU REIT Management Co., Ltd.

ADR's website: <https://www.adr-reit.com/en/>

IRM's website : <https://www.itc-rm.co.jp/en/>