

## **Questions & Answers at the Presentation Meeting Concerning the Results of the Fiscal Period Ended July 2022**

Date & Time: From 16:00 to 16:45, Thursday, September 15, 2022  
Presenter: Isao Kudo,  
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### **Questions about Asset Management**

**Q1. Occupancy rates have improved to pre-COVID-19 levels, but will rents return to pre- COVID-19 levels in the future? What are the trends for single type units?**

A1. It will take some more time for rents to recover, and at this point, we believe that next spring will be one of the targets. Especially for single type, demographics have a very large impact, and since the population inflow into the 23 wards of Tokyo is still in the process of recovery, we expect to see one more population inflow. In addition, of all tenants as of the end of July 2022, only about 15% are Tokyo 23 wards single type tenants who moved in during the period when new rents were very high (about 1.5 years from 2019 to spring 2020). It will take another 6 months to a year on turnover for these tenants to move out. As the replacement of this tenant progresses, we believe that the replacement rent volatility rate for the single type, which has been negative since the COVID-19, will turn positive. Therefore, we believe that rents will recover around next spring as a result of a combination of the following three factors: (1) the supply side will continue to settle down, (2) demographics will return as demand, and (3) the cancellation of tenants who have moved in at high rents will increase.

**Q2. Replacement rent change for family and large type apartments has been strong for about three years. Will it continue in the future?**

A2. Family and large type units have continued to do well in the COVID-19 without any particular impact, not because of demographics, but because of the demand for resettlement and the limited supply of family type properties, and we believe that the favorable situation will continue for the time being.

**Q3. If the turnover period is prolonged, restoration costs will decrease, but the timing of rent increases will be postponed. What is the outlook for the average turnover period in the future?**

A3. Although there was a period of increased cancellations due to the COVID-19, we believe that the 4.3-year is average turnover period achieved in the current period is the standard situation. The improvement in turnover period will result in a slight loss of opportunities for new replacement rents to increase, while opportunities for renewal rents to increase will increase. Renewal rent increase also contributes to earnings at the same level as for new contracts.

**Q4. Will the status of key money rise to the pre-COVID-19 level of 0.8 months in the future?**

A4. The most important point to reaching a level exceeding the peak of 0.8 months from the current level of slightly more than 0.7 months is the recovery of the single type, as we have already been able to obtain approximately one month's key money for family and large type units.

**Questions about Acquisition and Disposition of Properties**

**Q5. Please tell us if there have been any changes in opportunities to accumulate sponsor pipelines or to obtain property information due to the merger of management companies and the establishment of private REIT.**

A5. There has been no major change in sponsor development projects. After the merger of the asset management companies, information on rental housing properties other than those developed by sponsors has increased by about 10% compared to last year.

**Q6. What is your selection of property types and areas for future acquisitions and dispositions?**

A6. There is no change in our basic approach. We will acquire properties 70% in the 23 wards of Tokyo and 30% in the other areas. Currently, the majority of sponsor development projects are relatively single-type units in the 23 wards of Tokyo, but we intend to actively acquire slightly larger units in the future. In terms of dispositions, priority will be given to (1) properties with relatively low yields by area, (2) properties for which future repair costs will be significant and rent increases will be difficult to achieve, and (3) properties with single type units with a small private floor space.

**Questions about Energy Conservation**

**Q7. Is it possible to increase rents by implementing energy conservation as part of value-added construction? Also, are you considering acquiring Net Zero Energy House?**

A7. Although there are units that have implemented water saving toilets, LED installation, etc. as part of construction, it is difficult to measure and determine whether they can be directly reflected in rent increases. We are making efforts to increase rents by changing the layout of exclusive area. As for Net Zero Energy House, we have heard from the sponsor that they are in the process of considering and exploring the development of Net Zero Energy House.

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