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For Immediate Release

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Notice Concerning Disposition of Investment Asset
<<Maison Yachiyodai>>

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 an asset (hereafter, the “Disposition”) in Japan as detailed below as part of ADR’s growth strategy.

1. Details of the Disposition

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

Property number	Names of asset-to-be-disposed	Proposed disposition price	Book value ^(Note 1)	Appraisal value ^(Note 1)
S-21	Maison Yachiyodai	¥ 840 million	¥ 821 million	¥ 822 million

(Note 1) “Book value”, “Appraisal value” as of January 31, 2016.

The building age of the asset to-be-disposed is 26.6 years as of today, by far the oldest property in the portfolio (average building age of the whole portfolio is 10.2 years as of today). Considering the age and the capital expenditures on equipment renewals and repairs needed, ADIM believed that it will be difficult for the asset-to-be-disposed to sustain a profitability that ADR requires. Moreover, with the asset’s yield after depreciation^(Note 2) of 3.8% which is lower than that of the average portfolio yield^(Note 2) of 4.4% for the same area, ADIM has been contemplating on measures to take, such as, continue to hold and operate the asset, redevelop the asset or dispose the asset with capital efficiency and effect on operations in mind. Under such circumstances, with an offer to buy the asset-to-be-disposed at a price above its book value ADIM decided to dispose the asset.

(Note 2) Yield after depreciation = (FP 2016/1 Actual NOI (annualized) - FP 2016/1 Actual Depreciation (annualized)) ÷ Book Value as of end of FP 2016/1 × 100%

2. Disposition Summary

(1) Disposition Summary

Name of property	Maison Yachiyodai
Asset-to-be-disposed	Beneficiary interests in trust
Proposed disposition price	¥ 840 million
Appraisal value	¥ 822 million
Buyer	Not disclosed
Scheduled agreement date	March 22, 2016
Scheduled disposition date	March 24, 2016
Payment method	Pay entire amount upon delivery

(2) Summary of Asset-To-Be-Disposed

Property number	S-21
Name of the asset-to-be-acquired	Maison Yachiyodai
Address	1-5-2 Yachiyodai-Higashi Yachiyo-city, Chiba prefecture
Acquisition date	November 11, 2005 ^(Note 3)

Land	
Type of ownership	Proprietary ownership
Site area	1,157.31 m ²
Zoning	Commercial zone
FAR / Building coverage ratio	400% / 80%

Building	
Type of ownership	Proprietary ownership
Total floor area	4,487.42 m ²
Structure / Floors	SRC with flat roof, 8F
Use	Apartment, Office, Parking
Construction completion date	August, 1989

Trustee	Sumitomo Mitsui Trust Bank, Limited
Contract Term	September 24, 2014 to March 24, 2016

Lease Conditions	
Point in time	as of February 29, 2016
Total Tenants	1
Leasable units	39 (Including 1 store and 5 office)
Leased units	37
Leasable floor area	3,506.54 m ²
Leased floor area	3,373.72 m ²
Occupancy rate (based on floor area)	96.2%
Monthly rent (including common service charges)	¥ 6,182 thousand
Deposits, guarantees, etc.	¥ 72,855 thousand

Breakdown of residential unit type	
Single	-
Compact	-
Family	33
Large	-
Dormitory	-
Other	6

Special Notation	
	None

(Note 3) Date on which the asset was acquired by the former investment corporation before the merger.

3. Appraisal Report Summary

S-21 Maison Yachiyodai

as of January 31, 2015

Real estate appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.		Real estate appraisal value	¥ 822 million
Appraisal item		Appraised value (¥'000)	Basis	
Income capitalization approach value		822,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.	
	Direct capitalization price	823,000		
	Total potential profit	89,877		
	Rent income	81,296	Estimation of mid to long-term stabilized rent from leasable units and parking spaces.	
	Other income	8,580	Income from key money, renewal fee, utilities fee, ATM fee and vending machine fee.	
	Total effective profit	82,295		
	Losses from vacancies, etc.	7,581	Estimated mid to long-term stabilized vacancy rate by referring to that of comparable properties.	
	Bad debts losses	0	No losses was assumed due to deposits, guarantees.	
	Expenses from rental business	26,467		
	Maintenance and management fees	4,323	Estimated by referring to the cost of comparable property and current cost.	
	Utilities costs	7,892	Estimated by referring to the cost of comparable property and current cost.	
	Management commission fees	2,440	Estimated by referring to the planned contract terms, assuming the PM fee on comparable property.	
	Taxes and public dues	6,081	Estimated using 2015 tax base.	
	Non-life insurance premiums	233	Estimated by referring to current cost.	
	Leasing expenses	950	Administration fees for tenant recruitments, contract signings and contract renewals are estimated by referring to the schedule contract terms and that of comparable properties. Half of monthly rent is assumed as leasing fee rate. Historical figures are used to estimate advertising expense. Half of Renewal fee income is assumed as renewal fee rate. The total leasing expense is estimated using the above figures adjusted by annual average tenant replacement rate and occupancy rate.	
	Repair costs	3,695	Restoration costs are estimated by referring to average cost per unit. Repair costs are estimated using historical figures, costs at comparable properties and annual average repair and restoration expenses listed in the engineering report.	
	Other expenses	850	Carpet rental fee.	
	Net Operating Income	55,828		
	Operating profit from deposits	598	Assumed 2% per annum yield on deposits.	
	Capital expenditures	6,243	Estimated by referring to the level of capital expenditures in comparable properties, age of the building and annual average of restoration expense listed on the engineering report.	
	Net Cash Flow	50,184		
Cap rate	6.1%	Estimated by adding an yield spread appropriate to the locality and the specific feature of the property and referring to yields of comparable properties.		
DCF Price	822,000			
Discount rate	5.9%	Estimated by referring to yields of comparable properties and comprehensively taking account of the specific characteristics of the property.		
Terminal cap rate	6.3%	Estimated by comprehensively taking in to account of future changes in investment yield, investment risk analysis of the property, general forecast economic growth and real estate price and rent trends.		
Other matters of consideration				
None				

4. Buyer Profile

The buyer of the property is a domestic company whose name and detail are not disclosed according to their wishes. The buyer does not constitute parties having particular vested interest in ADR or ADIM.

5. Broker Profile

Trade name	Tokyu Livable, Inc.
Head office location	1-9-5 Dogenzaka, Shibuya-ku, Tokyo
Representative	Shinji Sakaki, President and Representative Director
Capital	1,396,300,000 yen
Commission	The broker wishes not to disclose the commission
Relationship with ADR or ADIM	None

6. Future Outlook

The effect on the management performance forecast ending July 2016 and that ending January 2017 announced on March 11, 2016 will be negligible. Therefore the forecast remains unchanged.

<Attachments>

[Supplementary Materials]

1. Supplementary Materials on Asset-To-Be-Disposed
2. Replacement of Properties Since the Merger to Date (Including to-be-acquired and to-be-disposed assets)
("Since the Merger" means since March 1, 2010, hereafter)

* The original Japanese version of this material is released today to the Kabuto Club (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications.

* URL: <http://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.

[Supplementary Materials]

(1) Supplementary Materials on Asset-To-Be-Disposed

Property	Building age as of today	NOI Yield (Note1)	Yield after depreciation (Note2)
Maison Yachiyodai	26.6 year	6.0 %	3.8 %

(Note1) $\text{NOI Yield} = \text{Total current NOI} \div \text{Book Value as of end of FP 2016/1} \times 100\%$

(Note2) $\text{Yield after depreciation} = (\text{FP 2016/1 Actual NOI (annualized)} - \text{FP 2016/1 Actual Depreciation (annualized)}) \div \text{Book Value as of end of FP 2016/1} \times 100\%$

(2) Replacements of Properties Since the Merger to Date (Including to-be-acquired and to-be-disposed assets)

Summary of Replacements of Properties Since the Merger to Date

	Acquired assets (including the assets to-be-acquired)	Disposed assets
Number of properties	109	43
Total historical acquisition price	¥156,676 million	¥69,607 million
Total transaction value (a)	¥156,676 million	¥64,196 million
Appraisal (b)	¥168,760 million	¥61,944 million (note 1)
Ratio (a) ÷ (b) × 100%	92.8 %	103.6 %
Weighted average NOI yield	5.9 % (note 2)	4.7 % (note 3)
Weighted average building age (Note 4)	4.8 year	13.3 year

(Note 1) “Appraisal” is the sum of the last appraisal value of each properties at the time of sale.

(Note 2) Weighted average NOI yield of acquisitions = Total annual NOI as entered on the appraisal of acquisitions ÷ Total of the acquisition prices × 100

(Note 3) Weighted average NOI yield of dispositions = Total actual annual NOI ÷ Total of the historical acquisition prices × 100

(Note 4) Weighted average building age is acquisition price weighted average as of the time of acquisition and disposition.

Increase / Decrease in No. of Units as the Result of Replacement of Trades

	Singles	Compacts	Families	Large	Dormitories	Others	Total
Tokyo Central 7 Wards	817	1	-37	-170	0	-2	609
Tokyo 23 Wards Exclusive of Central 7 Wards	1,725	704	430	13	0	12	2,884
Tokyo 23 Wards	2,542	705	393	-157	0	10	3,493
Tokyo Metropolitan Area	398	10	-105	0	-748	-5	-450
Major Regional Cities	1,809	1,006	263	55	0	0	3,133
Other Regions	2,207	1,016	158	55	-748	-5	2,683
Total	4,749	1,721	551	-102	-748	5	6,176

Status of the Portfolio After the Replacements

Asset size (based on acquisition price)	433.0 billion yen
No. of properties	254 properties
No. of leasable units	20,412 units
Total leasable floor area	765,909.39 m ²

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	170.8 billion yen	39.5 %
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	139.7 billion yen	32.3 %
Tokyo 23 Wards	310.6 billion yen	71.7 %
S (Tokyo Metropolitan Area)	40.3 billion yen	9.3 %
R (Major Regional Cities)	82.0 billion yen	18.9 %
Other Regions	122.3 billion yen	28.3 %
Total	433.0 billion yen	100.0 %