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**For Immediate Release**

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**Notice Concerning Acquisition of Investment Asset**

**<<RESIDIA Funabashi III>>**

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

**1. Details of the Acquisition**

ADIM decided on the following acquisition pursuant to the target and policy of asset management as stipulated in its 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 | Name of the asset-to-be-acquired <sup>(Note 1)</sup> | Type of asset | Proposed acquisition price <sup>(Note 2)</sup> |
|-----------------|------------------------------------------------------|---------------|------------------------------------------------|
| S-33            | RESIDIA Funabashi III<br>(Nostel Court Funabashi)    | Real Estate   | 620,000,000 yen                                |

(Note 1) ADR is scheduled to change the name of the property to what is listed above after the acquisition. The name before the change is shown in parentheses.

(Note 2) “Proposed acquisition price” indicates the purchase price for the property entered in the real estate transaction agreement, which is exclusive of the various expenses required in the acquisition of the concerned property (taxes and public dues, etc.)

In the recent booming real estate market, we are witnessing increased number and types of players. This has amplified the continued difficulty in acquiring assets. The difficulty is especially acute for properties that have been recently built, located in the major regional city, and have a yield that will contribute in improving the existing ADR's portfolio yield. This is also because supply of newly developed rental residential properties has not been enough to alleviate the shortage.

Under such an environment, by using ADIM's own sourcing network ADR has succeeded in acquiring the property located in the investment area category of "Tokyo Metropolitan Area".

The property has a yield after depreciation of 4.6%<sup>(Note 3)</sup>, which is higher than the average of 4.4% for the existing properties in the portfolio which are located in the same "Tokyo Metropolitan Area". Combined with the younger average age compared to the existing properties in the portfolio, we believe that the acquisition will benefit unitholders' value. Additionally, we will be acquiring the property at around 8.7%<sup>(Note 3)</sup> discount to the appraisal value.

(Note3) The yield after depreciation of the asset-to-be-acquired is calculated by dividing the total annualized appraisal NOI at acquisition minus total depreciation, by the acquisition price. Depreciation of the asset-to-be-acquired is calculated using same straight-line method as the portfolio and expect depreciation of 5,049 thousand yen per annum. The yield after depreciation for the existing portfolio at the end of January 2016 is calculated by dividing the total annualized actual NOI minus total depreciation of each portfolio property by the total fiscal-end book value. Both figures are rounded at the second decimal point.

ADR evaluated the asset's attributes listed below in deciding to acquire the asset.

- \* It is a 10-minute walk from the property to JR Sobu Line Funabashi Station, 8-minute walk to Keisei Main Line Keisei Funabashi Station. It is 25-minutes by train from Funabashi Station to Tokyo station, having good access to business and commercial centers. Also, one can go directly to Narita Airport or Haneda Airport from Keisei Funabashi station. Therefore we can expect demands from singles who use the airport.
- \* There are many convenient facilities nearby such as corner stores, restaurants and drugstores.

## 2. Acquisition Summary

|                             |                                 |
|-----------------------------|---------------------------------|
| Name of property            | RESIDIA Funabashi III           |
| Asset to be acquired        | Real Estate                     |
| Proposed acquisition price  | 620,000,000 yen                 |
| Real estate appraised value | 679,000,000 yen                 |
| Current titleholder         | Not disclosed                   |
| Scheduled agreement date    | March 29, 2016                  |
| Scheduled acquisition date  | March 30, 2016                  |
| Acquisition financing       | Cash on hand                    |
| Payment method              | Pay entire amount upon delivery |
| Collateral                  | Not Scheduled                   |

### 3. Summary of the Asset-To-Be-Acquired

|                                  |                                            |
|----------------------------------|--------------------------------------------|
| Property number                  | S-33                                       |
| Name of the asset-to-be-acquired | RESIDIA Funabashi III                      |
| Address                          | 1-1-21 Minato-machi, Funabashi-city, Chiba |

|                               |                       |
|-------------------------------|-----------------------|
| Land                          |                       |
| Type of ownership             | Proprietary ownership |
| Site area                     | 253.11 m <sup>2</sup> |
| Zoning                        | Commercial zone       |
| FAR / Building coverage ratio | 400% / 80%            |

|                                |                                   |
|--------------------------------|-----------------------------------|
| Building                       |                                   |
| Type of ownership              | Proprietary ownership             |
| Total floor area               | 1,037.10 m <sup>2</sup>           |
| Structure / Floors             | RC with flat roof, 8F             |
| Use                            | Apartment • Store                 |
| Construction completion date   | October, 2006                     |
| Confirmation inspection agency | E-House Building Center Co., Ltd. |
| Building designer              | Fukushi Koumuten Ltd.             |
| Structural designer            | Y•OF Universal Structure Ltd.     |
| Construction contractor        | Fukushi Koumuten Ltd.             |

|                   |                                |
|-------------------|--------------------------------|
| Trustee           | -                              |
| Property Manager  | HASEKO LIVENET, Inc. (planned) |
| Master lessee     | HASEKO LIVENET, Inc. (planned) |
| Master Lease type | Pass-through                   |

|                                                     |                                                  |
|-----------------------------------------------------|--------------------------------------------------|
| Summary of Building Conditions Investigation Report |                                                  |
| Investigator                                        | Tokio Marine & Nichido Risk Consulting Co., Ltd. |
| Investigation date                                  | January 21, 2016                                 |
| Emergency repair costs                              | -                                                |
| Short-term repair costs (within 1 year)             | -                                                |
| Long-term repair costs (next 12 years)              | ¥ 15,865 thousand                                |
| Building replacement price                          | ¥ 222,000 thousand                               |

|                |      |
|----------------|------|
| Earthquake PML | 5.0% |
|----------------|------|

|                                                 |                         |
|-------------------------------------------------|-------------------------|
| Lease Conditions                                |                         |
| Point in time                                   | as of February 29, 2016 |
| Total Tenants                                   | 1                       |
| Leasable units                                  | 43                      |
| Leased units                                    | 43                      |
| Leasable floor area                             | 972.21 m <sup>2</sup>   |
| Leased floor area                               | 972.21 m <sup>2</sup>   |
| Occupancy rate (based on floor area)            | 100.0%                  |
| Monthly rent (including common service charges) | ¥ 3,370 thousand        |
| Deposits, guarantees, etc.                      | ¥ 7,610 thousand        |

|                                    |    |
|------------------------------------|----|
| Breakdown of residential unit type |    |
| Single                             | 42 |
| Compact                            | -  |
| Family                             | -  |
| Large                              | -  |
| Dormitory                          | -  |
| Other                              | 1  |

|                  |      |
|------------------|------|
| 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 as detail of lists above. (<http://www.adr-reit.com/en/financial/>)

4. Summary of the appraisal report (Monetary unit: ¥ thousand)

|                                      |                                           |                                                                                                                                                                                    |                                                                                                                                                                  |
|--------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of property                     | RESIDIA Funabashi III                     | Real estate appraised date                                                                                                                                                         | February 1, 2016                                                                                                                                                 |
| Real estate Appraiser                | DAIWA REAL ESTATE APPRAISAL CO.,LTD.      | Real estate appraised value                                                                                                                                                        | 679,000,000 yen                                                                                                                                                  |
| Appraisal item                       |                                           | Appraised value                                                                                                                                                                    | Basis                                                                                                                                                            |
| Income Capitalization Approach value |                                           | 679,000                                                                                                                                                                            | Income capitalization approach value was appraised using both DCF method and direct capitalization method.                                                       |
|                                      | Direct capitalization price               | 689,000                                                                                                                                                                            |                                                                                                                                                                  |
|                                      | Total potential profit                    | 42,806                                                                                                                                                                             |                                                                                                                                                                  |
|                                      | Rent income                               | 41,649                                                                                                                                                                             | Estimation of mid to long-term stabilized rent from leasable units.                                                                                              |
|                                      | Other income                              | 1,157                                                                                                                                                                              | Income from key money, renewal fee and communication facility electricity revenues.                                                                              |
|                                      | Total effective profit                    | 41,105                                                                                                                                                                             |                                                                                                                                                                  |
|                                      | Losses from vacancies, etc.               | 1,701                                                                                                                                                                              | Estimated using standard vacancy rate but adjusted for specific characteristics of the property.                                                                 |
|                                      | Bad debts losses                          | 0                                                                                                                                                                                  | No losses was assumed due to deposits, guarantees.                                                                                                               |
|                                      | Expenses from rental business             | 7,229                                                                                                                                                                              |                                                                                                                                                                  |
|                                      | Maintenance and management fees           | 1,380                                                                                                                                                                              | Estimated by referring to the cost of comparable property and current cost.                                                                                      |
|                                      | Utilities costs                           | 529                                                                                                                                                                                | Estimated by referring to the cost of comparable property and current cost.                                                                                      |
|                                      | Management commission fees                | 1,198                                                                                                                                                                              | Estimated by referring to the planned contract terms, assuming the PM fee on comparable property.                                                                |
|                                      | Taxes and public dues                     | 2,124                                                                                                                                                                              | Estimated using 2015 tax base.                                                                                                                                   |
|                                      | Non-life insurance premiums               | 55                                                                                                                                                                                 | Estimated by referring to premium estimate and premiums for comparable properties.                                                                               |
|                                      | Leasing Expences                          | 1,185                                                                                                                                                                              | Estimated by referring to the replacement cost of comparable property, assuming vacancy rate and current cost.                                                   |
|                                      | Repair costs (including restoration fees) | 706                                                                                                                                                                                | Estimated from engineering report and replacement cost, assuming replacement and vacancy rate.                                                                   |
|                                      | Other expenses                            | 50                                                                                                                                                                                 | Estimated by referring the expendables cost.                                                                                                                     |
|                                      | Net Operating Income                      | 33,875                                                                                                                                                                             |                                                                                                                                                                  |
|                                      | Operating profit from deposits            | 149                                                                                                                                                                                | Assuming 2% per annum yield on deposits.                                                                                                                         |
|                                      | Capital expenditures                      | 933                                                                                                                                                                                | Estimated by referring to the level of capital expenditures in comparable properties and annual average of restoration expense listed on the engineering report. |
|                                      | Net Cash Flow                             | 33,091                                                                                                                                                                             |                                                                                                                                                                  |
| Cap rate                             | 4.8%                                      | Estimated by taking account of locality and specific feature of the property on the base rate, referring to cap rate of appraisal reports of other J-REIT assets in the same area. |                                                                                                                                                                  |
| DCF Price                            | 674,000                                   |                                                                                                                                                                                    |                                                                                                                                                                  |
| Discount rate                        | 4.6%                                      | Estimated by referring to discount rate in dealing comparable property and yields of other financial products.                                                                     |                                                                                                                                                                  |
| Terminal cap rate                    | 5.0%                                      | Estimated by referring to the marketability at the end of DCF term.                                                                                                                |                                                                                                                                                                  |
| Cost approach value                  | 489,000                                   |                                                                                                                                                                                    |                                                                                                                                                                  |
| Land ratio                           | 65.2%                                     |                                                                                                                                                                                    |                                                                                                                                                                  |
| Building ratio                       | 34.8%                                     |                                                                                                                                                                                    |                                                                                                                                                                  |
| Other matters of consideration       |                                           |                                                                                                                                                                                    |                                                                                                                                                                  |
| None                                 |                                           |                                                                                                                                                                                    |                                                                                                                                                                  |

## 5. Seller Profile

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

## 6. Property Titleholders

Details are omitted because the transaction is not with a party having particular vested interest.

## 7. Matters Concerning Earthquake Resistance

Of the asset-to-be-acquired the validity of structural calculation documents on the asset has been examined by a third-party agency. ADR has obtained the following inspection results stating that no intentional manipulation, falsification or other corruption in the structural calculation documents were found and that the structural calculation is deemed to have been performed in accordance with the law.

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Trade name                    | Tokio Marine & Nichido Risk Consulting Co., Ltd.                                                                                                                                                                                                                                                                                                                                                                               |
| Head office location          | 1-5-1 Otemachi, Chiyoda-ku, Tokyo                                                                                                                                                                                                                                                                                                                                                                                              |
| Representative                | Nariki Yasuda, President and Representative Director                                                                                                                                                                                                                                                                                                                                                                           |
| Capital                       | 100 million yen                                                                                                                                                                                                                                                                                                                                                                                                                |
| Large shareholders            | Tokio Marine & Nichido Holdings, Inc.                                                                                                                                                                                                                                                                                                                                                                                          |
| Principal business            | 1. Investigation, research and consulting on safety, disaster prevention, hygiene, product liability and information security<br>2. Acting safety, disaster prevention, hygiene, product liability and information security for companies<br>3. Plan, execution and supervision of construction or removing polluted soil<br>4. Gathering and analysis on market information, measure of risks, due diligence of company value |
| Relationship with ADR or ADIM | None                                                                                                                                                                                                                                                                                                                                                                                                                           |

## 8. Broker Profile

|                               |                                                  |
|-------------------------------|--------------------------------------------------|
| Trade name                    | Nomura Real Estate Urban Net Co., Ltd.           |
| Head office location          | 1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo        |
| Representative                | Seishi Miyajima, President                       |
| Capital                       | 1,000 million yen                                |
| Commission                    | The broker wishes not to disclose the commission |
| Relationship with ADR or ADIM | None                                             |

## 9. 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-Acquired
2. Replacement of Properties Since the Merger (Including assets-to-be-acquired)  
("Since the Merger" means since March 1, 2010, hereafter)

[Reference Materials]

1. Photo of the Asset-To-Be-Acquired
2. Maps of the Asset-To-Be-Acquired

\* 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-Acquired

■ Asset-To-Be-Acquired

| Property              | Building age<br>(Note1) | NOI Yield<br>(Note2) | Yield after<br>depreciation<br>(Note3) |
|-----------------------|-------------------------|----------------------|----------------------------------------|
| RESIDIA Funabashi III | 9.5 year                | 5.5 %                | 4.6 %                                  |

(Note1) Building age is calculated as of the scheduled acquisition date and rounded at the second decimal point.

(Note2) The “NOI Yield” are calculated using the figures in the acquisition appraisal of asset-to-be-acquired. The calculation are as follows; “Total annualized NOI ÷ Total acquisition price × 100”. The calculated yields are rounded at the second decimal point.

(Note3) The “Yield after depreciation” is calculated using the figures in the acquisition appraisal of asset-to-be-acquired. The calculation is as follows;  
“(Annualized NOI listed on the appraisal at the time of acquisition – depreciation) ÷ acquisition price × 100”.  
The calculated yield is rounded at the second decimal point. Depreciation of the asset-to-be-acquired is calculated using same straight-line method as the portfolio and expect depreciation of 5,049 thousand yen per annum.

## (2) Replacement of Properties Since the Merger

|                                        | Acquired assets<br>(including the assets-to-be- acquired) | Disposed assets          |
|----------------------------------------|-----------------------------------------------------------|--------------------------|
| Number of properties                   | 110                                                       | 43                       |
| Total acquisition price                | ¥157,296 million                                          | ¥69,607 million          |
| Total deal value (a)                   | ¥157,296 million                                          | ¥64,196 million          |
| Appraisal (b)                          | ¥169,439 million                                          | ¥61,944 million (note 1) |
| Ratio (a) ÷ (b) × 100%                 | 92.8%                                                     | 103.6%                   |
| Weighted average NOI yield             | 5.9% (note 2)                                             | 4.8% (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 (including the assets-to-be- acquired)

|                                             | 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                     | 440     | 10       | -105     | 0     | -748        | -4     | -407  |
| Major Regional Cities                       | 1,809   | 1,006    | 263      | 55    | 0           | 0      | 3,133 |
| Other Regions                               | 2,249   | 1,016    | 158      | 55    | -748        | -4     | 2,726 |
| Total                                       | 4,791   | 1,721    | 551      | -102  | -748        | 6      | 6,219 |

### ■ Status of the Portfolio After the Replacements (including the assets-to-be- acquired)

|                                         |                           |
|-----------------------------------------|---------------------------|
| Asset size (based on acquisition price) | 433.6 billion yen         |
| No. of properties                       | 255 properties            |
| No. of leasable units                   | 20,455 units              |
| Total leasable floor area               | 766,881.60 m <sup>2</sup> |

| Area Diversification                            | Acquisition Price | Share of Investment |
|-------------------------------------------------|-------------------|---------------------|
| P (Tokyo Central 7 Wards)                       | 170.8 billion yen | 39.4 %              |
| C (Tokyo 23 Wards Exclusive of Central 7 Wards) | 139.7 billion yen | 32.2 %              |
| Tokyo 23 Wards                                  | 310.6 billion yen | 71.6 %              |
| S (Tokyo Metropolitan Area)                     | 40.9 billion yen  | 9.5 %               |
| R (Major Regional Cities)                       | 82.0 billion yen  | 18.9 %              |
| Other Regions                                   | 123.0 billion yen | 28.4 %              |
| Total                                           | 433.6 billion yen | 100.0 %             |

[Reference Material]

1. Photos of the Asset-To-Be-Acquired

S-33 RESIDIA Funabashi III



## 2. Maps of the Asset-To-Be-Acquired

### S-33 RESIDIA Funabashi III

1-1-21 Minato-machi, Funabashi-city, Chiba



Map data ©2016Google, ZENRIN