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For Immediate Release

Advance Residence Investment Corporation (Securities Code: 3269)

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Notice Concerning Acquisition of Investment Asset

<<RESIDIA Senri-Banpakukoen>>

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 an asset in Japan (hereafter, the “Acquisition”) 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 Property (Note 1)	Type of Asset	Proposed Acquisition Price (Note 2)
R-73	RESIDIA Senri-Banpakukoen (Cerezo Court Senri Banpakukoen)	Beneficiary Interests in Trust (planned)	2,124,000,000 yen

(Note 1) The property name is scheduled to be changed after the acquisition is completed to the name listed above. 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.)

The real estate acquisition market continues to be very competitive. The competition is especially acute in markets for centrally located properties located in major cities and with a stable yield that will contribute in improving the yield of ADR's existing portfolio. This is because the supply of newly developed rental residential properties have not been enough to alleviate the shortage.

Under such an environment, by using ADIM's own sourcing network ADR has succeeded in acquiring a scarce family-type property located in Suita-city Osaka prefecture. Moreover, the property will be acquired at around 8.4% discount to the appraisal value.

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

- * It is a 9-minute walk from the property to Hankyu Senri Line Yamada Station, having good access to business and commercial centers.
- * The neighborhood is a quiet residential area with mid-rise multifamily housings. Residents of the area enjoy a good living environment with all the convenient living facilities such as supermarkets and convenient stores within walking distance as well as having one of Japan's largest amusement park / shopping mall complex, "EXPOCITY" which opened in November 2015 and a park with rich greenery, "EXPO '70 Commemorative Park nearby.
- * The area is a neighborhood where there is a relatively strong demand from families. The property can expect long and stable demand from families with family members who commute to work in central Osaka and corporate housing demand from such corporations with main office in Tokyo and have employees who are transferred to local offices in Osaka.

2. Acquisition Summary

Name of Property	RESIDIA Senri-Banpakukoen
Asset To Be Acquired	Beneficiary interests in trust (planned)
Proposed Acquisition Price	2,124 million yen
Real Estate Appraised Value	2,320 million yen
Current Titleholder	Not disclosed
Scheduled Agreement Date	August 25, 2016
Scheduled Acquisition Date	November 11, 2016 or the day to be agreed with Current titleholder (no later than the end of November 2016)
Acquisition Financing	Debt or Cash on hand(planned)
Payment Method	Pay entire amount upon delivery
Collateral	None

3. Summary of The Asset-To-Be-Acquired

Property Number	R-73
Name of The Asset-To-Be-Acquired	RESIDIA Senri-Banpakukoen
Address	8-28 Yamada-kita, Suita-city, Osaka

Land	
Type of Ownership	Proprietary ownership
Site Area	2,786.85m ²
Zoning	Class I residential zone
FAR / Building Coverage Ratio	200% / 60%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	5,590.94 m ²
Structure / Floors	RC with flat roof / 10 floors
Use	Multi-family housing
Construction Completion Date	October, 2005
Building Inspector	Kenchikukensakiko K.K.
Building Designer	GY Architects Co., Ltd.
Structural Engineer	Ishiwaki Architectural Design Office Co., Ltd.
Construction Contractor	Kamiya Construction Company Co., Ltd

Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned)
Property Manager	Mitsui Fudosan Residential Lease Co., Ltd.
Master Lessee	Mitsui Fudosan Residential Lease Co., Ltd.
Master Lease type	Guaranteed rent

Summary of Building Conditions Investigation Report	
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation Date	June 6, 2016
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥ 81,697 thousand
Building Replacement Price	¥ 1,258,000 thousand

Earthquake PML	5.2%
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Lease Conditions	
Point in Time	as of July 31, 2016
Total Tenants	1
Leasable Units	68
Leased Units	68
Leasable Floor Area	5,386.39 m ²
Leased Floor Area	5,386.39 m ²
Occupancy Rate (based on floor area)	100.0%
Monthly Rent (including common service charges)	¥ 10,037 thousand
Deposits, Guarantees, etc.	-

Breakdown of Residential Unit Type	
Single	-
Compact	-
Family	60
Large	8
Dormitory	-
Other	-

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 for details on items on above table. (<http://www.adr-reit.com/en/financial/>)

4. Summary of Appraisal Report (monetary unit: ¥ thousand)

Name of Property	RESIDIA Senri-Banpakukoen	Appraisal Date	July 1, 2016
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.	Appraisal Value	2,320,000,000 yen
Appraisal Items		Appraised Value	Basis
Income Capitalization Approach Value		2,320,000	Income capitalization value is estimated using DCF method which we determined the derived value to be more plausible, along with direct capitalization method for verification..
Direct Capitalization Price		2,390,000	
Total Potential Income		155,990	
Rent Income		150,043	Estimation of medium to long-term stabilized rent from leasable units and parking spaces.
Other Income		5,946	Income from key money and electrical pole site fee.
Total Effective Income		145,229	
Losses from Vacancies, etc.		10,760	The actual vacancy rate, average vacancy rate for similar properties and competitiveness of the property was considered to estimate the medium to long-term stabilized vacancy rate.
Bad Debts Losses		0	No losses was assumed due to deposits, guarantees.
Expenses from Rental Business		28,968	
Maintenance and Management Fees		4,617	Based on maintenance fee quotation on the ML/PM contract and verified by comparing to maintenance fees for similar properties.
Utilities Costs		1,368	Estimated by referring to the cost of similar properties and actual costs for the property.
Management Commission Fees		4,178	Estimated by referring to PM fees on similar properties.
Taxes and Public Dues		9,437	Estimated by referring to actual value, tax burden level, land price trend and estimated fixed asset tax on depreciable asset.
Non-life Insurance Premiums		288	Used the insurance premium quotation for the property determining it to be a reasonable value. Verification was made by comparing to insurance premiums for similar properties.
Leasing Expenses		3,154	Leasing expenses of leasable units and parking spaces are estimated using expected turnover rate to determine the number of vacancy and by referring to leasing expenses in similar properties.
Repair Costs (including restoration fees)		4,945	Repair costs are estimated by basing on engineering report, verified by referring to repair costs in similar properties. Vacancy and turnover rates are reflected on the tenant replacement costs.
Other Expenses		977	50 yen per tsubo is reserved for contingency.
Net Operating Income		116,261	
Earnings from Deposits		195	Assumed 2% per annum yield on deposits.
Capital Expenditures		4,339	Estimated by referring to the level of capital expenditures in similar properties and annual average of restoration expense listed on the engineering report.
Net Cash Flow		112,117	
Cap Rate		4.7%	The cap rate is estimated by adding the yield spread determined by locality, specifications and age of the building to the base yield for properties located in an area with the lowest risk premium, and referred to the cap rates listed on the appraisal reports of properties located in similar area held by J-REITs.
DCF Price		2,290,000	
Discount Rate		4.5%	The discount rate is estimated by comparing the discount rate used in actual deals for similar properties, reflecting the characteristics of real estate to yield of financial products and referring to investors' opinions.
Terminal Cap Rate		4.9%	Estimated by comprehensively considering future trends in investment yield, risk factors of the property as an investment, general forecast on economic growth and general price trend in the real estate market.
Cost approach value		2,150,000	
Land Ratio		58.2%	
Building Ratio		41.8%	
Other Matters of Consideration			
Although the property is schedule to be bulk leased with a guaranteed rent, assumption that units will be individually leased was taken from a medium to long-term perspective and the appraisal was made using direct capitalization method.			

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

The trust beneficiary conveyance agreement (hereafter, “the Agreement”) for the assets-to-be-acquired constitutes a forward commitment or similar agreement ^(Note 3) by an investment corporation as stipulated in “*The Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.*” by the Financial Services Agency.

In the event of a violation of provisions in the Agreement by ADR or the seller, the counterparty shall have the right to terminate the Agreement and claim an amount equivalent to 20% of the purchase price of the property as penalty.

However, under the Conveyance Agreement there is a condition precedent whereby ADR is required to procure funds for acquiring the asset-to-be-acquired. Therefore, if ADR cannot procure the acquisition fund the Conveyance Agreement will be annulled or can be terminated by ADR notifying the seller, and except where ADR is at fault, ADR is not obliged to pay the penalty.

(Note 3) Refers to a postdated purchase and sales agreement under which payment and property delivery shall be made at least 1 month after the conclusion of the agreement, or any other agreement similar thereof.

6. 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 a party having particular vested interest in ADR or ADIM.

7. Property Titleholders

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

8. Matters Concerning Earthquake Resistance

The validity of structural calculation document on the asset has been examined by a third-party inspector. ADR has obtained the following inspection results stating that no intentional manipulations, falsifications or other corruptions in the structural calculation document were found and that the structural calculation is deemed to have been performed in accordance with the law.

9. Broker Profile

Trade Name	Building Management & Strategy Inc.
Head Office Location	1-19-1 Kanda-Nishikicho, Chiyoda-ku, Tokyo, Japan
Representative	Takashi Wakazono, President and Representative Director
Capital	300 million yen
Commission	The broker wishes not to disclose the commission
Relationship with ADR or ADIM	None
Established Date	November 28, 2000

10. Future Outlook

The effect of the acquisition on the management performance for fiscal period ending January 2017 is negligible, therefore the performance forecast which was announced on March 11, 2016 for the fiscal period remains unchanged.

<Attachments>

[Supplementary Materials]

1. Supplementary Materials on Asset-To-Be-Acquired
2. Replacement of Properties Since the Merger (as of today)
("Since the Merger" means since March 1, 2010, hereafter)

[Reference Materials]

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

■ The Asset-To-Be-Acquired

Property	Acquisition Price	Building Age (Note1)	NOI Yield (Note2)	Yield after Depreciation (Note3)	The Reason for the Acquisition
RESIDIA Senri-Banpakukoen	2,124 million	10.9 year	5.5%	4.5%	Because we determined that we can expect a long-term stable earnings from the property which has a guaranteed rent type master lease contract.

(Note1) The building age is the age of the building as of today, rounded at the second decimal point.

(Note2) The “NOI Yield” is calculated using the figures in the acquisition appraisal of the asset-to-be-acquired. The calculation is 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 asset is calculated using same straight-line method as the portfolio and expect depreciation of 21,685 thousand yen per annum.

(2) Replacement of Properties since the Merger (as of today)

	Acquired Assets (including the assets-to-be-acquired)	Disposed Assets
Number of Properties	112	43
Total Acquisition Price	¥160,850 million	¥69,607 million
Total Deal Value (a)	¥160,850 million	¥64,196 million
Appraisal Value (b)	¥173,329 million	¥61,944 million (note 1)
Ratio (a) ÷ (b) × 100%	92.8%	103.6%
Weighted Average NOI yield	5.9% (note 2)	4.6% (note 3)
Weighted Average Building Age (Note 4)	4.8 year	13.3 year

(Note 1) "Appraisal Value" 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 dates. The dates of the acquisition used in this calculation for the two assets-to-be-acquired are as follows.

R-72 RESIDIA	Senri-Fujishirodai	March 29, 2017
R-73 RESIDIA	Senri-Banpakukoen	November 30, 2016

■ Increase / Decrease in No. of Units as the Result of Replacements

	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	1,807	1,098	323	63	0	0	3,291
Other Regions	2,247	1,108	218	63	-748	-4	2,884
Total	4,789	1,813	611	-94	-748	6	6,377

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

Asset Size (based on acquisition price)	437.1 billion yen
No. of Properties	257 properties
No. of Leasable Units	20,613 units
Total Leasable Floor Area	775,302.55 m ²

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	170.8 billion yen	39.1 %
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	139.7 billion yen	32.0 %
Tokyo 23 Wards	310.6 billion yen	71.1 %
S (Tokyo Metropolitan Area)	40.9 billion yen	9.4 %
R (Major Regional Cities)	85.5 billion yen	19.6 %
Other Regions	126.5 billion yen	28.9 %
Total	437.1 billion yen	100.0 %

[Reference Material]

Photos of the Asset-To-Be-Acquired

R-73) RESIDIA Senri-Banpakukoen

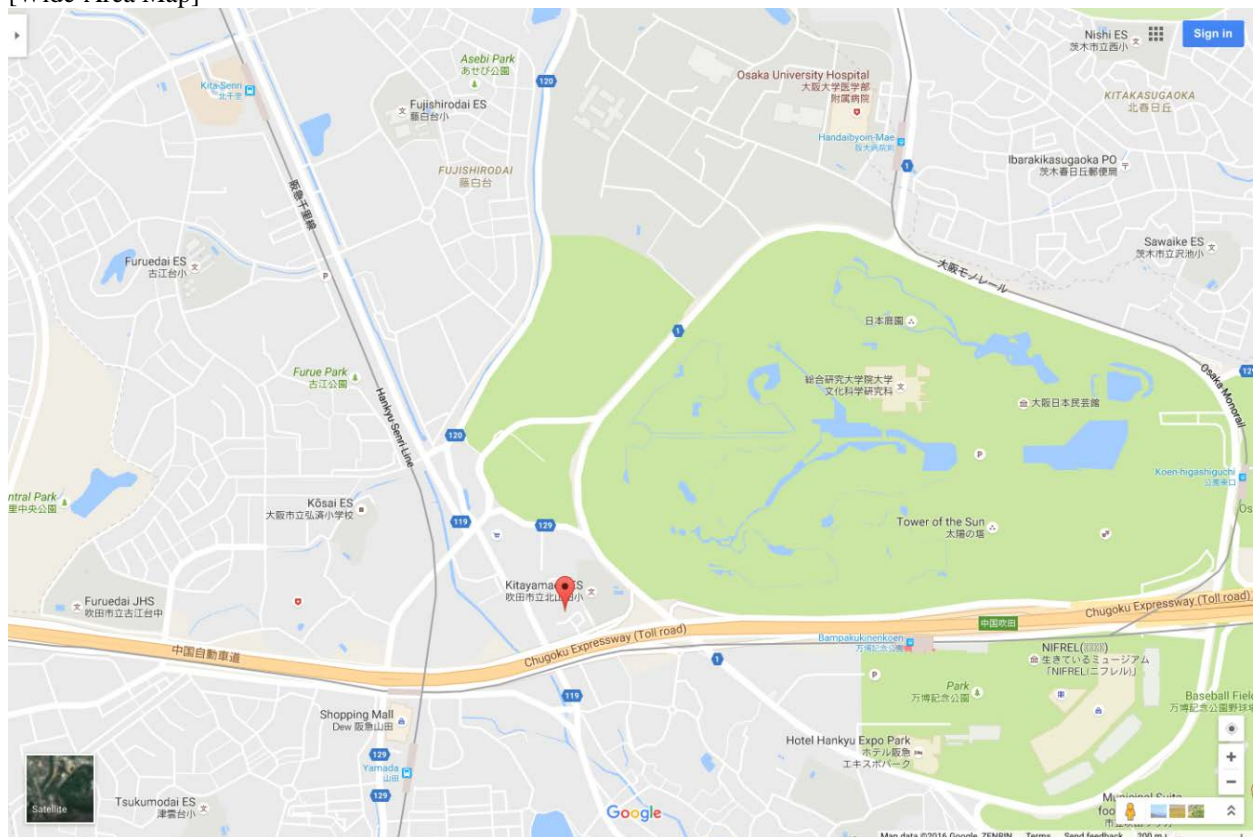


[Reference Material]

Maps Indicating the Location of the Asset-To-Be-Acquired

R-73) RESIDIA Senri-Banpakukoen

[Wide-Area Map]



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[Detailed Map]



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