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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 Sapporo-eki North)

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-74	RESIDIA Sapporo-eki North (NEO21 Kitaguchi)	Real Estate	679 million yen

(Note 1) The name of the property 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 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 in major cities 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, ADR has succeeded in acquiring a scarce property for singles and DINKs located in Sapporo-city Hokkaido by using ADIM’s own sourcing network. Moreover, the property will be acquired at around 3.8% discount to the appraisal value.

On deciding to acquire the asset, ADR highly rated the attributes of the asset as listed below.

- The property is a 3-minute walk from Sapporo Municipal Subway Namboku Line Kita-Juni-Jo Station, 5-minute walk from JR Hakodate Main Line Sapporo Station. The property has a good access to the main business area around Sapporo Station and Odori-koen.
- Since there are many daily-life facilities such as convenience stores, cafes and restaurants, as well as abundant greenery and parks located nearby, the property can expect demands from singles and DINKs.

2. Acquisition Summary

Name of Property	RESIDIA Sapporo-eki North
Asset To Be Acquired	Real Estate
Proposed Acquisition Price	679 million yen
Real Estate Appraised Value	706 million yen
Current Titleholder	Hori Development
Scheduled Contract Date	January 17, 2018
Scheduled Acquisition Date	January 19, 2018 or a date to be separately agreed upon with the seller (but no later than February 19, 2018)
Acquisition Financing	Cash-on-hand
Payment Method	Full payment on delivery
Collateral	None

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

Property Number	R-74
Name of The Asset-To-Be-Acquired	RESIDIA Sapporo-eki North
Address	3-4-12 Kita-Jyu-Jyo-Nishi, Kita-ku, Sapporo, Hokkaido

Land	
Type of Ownership	Proprietary ownership
Site Area	542.67m ²
Zoning	Commercial zone
FAR / Building Coverage Ratio	400% / 80%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	2,468.89 m ²
Structure / Floors	Reinforced concrete with flat roof / 10 floors
Use	Multi-family housing / Office
Construction Completion Date	February, 2003
Building Inspector	Sapporo Building Officer
Building Designer	Takumi Architect Office
Structural Engineer	Otozaki Building Research Institute Co., Ltd.
Construction Contractor	Tsukushi Workshop Construction Co., Ltd.

Trustee	-
Trust Contract Period	-
Property Manager	SANKYO Building Management Co., Ltd.
Master Lessee	SANKYO Building Management Co., Ltd.
Master Lease type	Pass-through

Summary of Building Conditions Investigation Report	
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation Date	December 22, 2017
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥ 54,557 thousand
Building Replacement Price	¥ 528,000 thousand

Earthquake PML	1.5%
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Lease Conditions	
Point in Time	as of November 29, 2017
Total Tenants	1
Leasable Units	46 (including 1 office space)
Leased Units	35
Leasable Floor Area	2,020.52 m ²
Leased Floor Area	1,543.61 m ²
Occupancy Rate (based on floor area)	76.4%
Monthly Rent (including common service charges)	¥2,925 thousand
Deposits, Guarantees, etc.	¥3,041 thousand

Breakdown of Residential Unit Type	
Single	0
Compact	45
Family	0
Large	0
Dormitory	0
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 for details on items on the above table (<http://www.adr-reit.com/en/financial/>).

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

Name of Property	RESIDIA Sapporo-eki NORTH		Appraisal Date	December 1, 2017
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.		Appraisal Value	706,000,000 yen
Appraisal Items		Appraised Value	Basis	
Income Capitalization Approach Value		706,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price		716,000		
Total Potential Income		519,145		
Rent Income		50,706	Estimated from average rent based on the current lease agreement and from rent and common expense revenue if newly leased.	
Other Income		1,239	Key money and other income estimated from past income statements.	
Total Effective Income		49,113		
Losses from Vacancies, etc.		2,832	Estimated using medium to long-term stabilized vacancy rate.	
Losses from Delinquencies		0	Secured by deposit, no losses are assumed.	
Expenses from Rental Business		12,348		
Maintenance and Management Fees		1,939	Estimated by referring to past income statements.	
Utilities Costs		703	Estimated by referring to past income statements.	
Management Commission Fees		1,398	Estimated by referring to similar cases	
Taxes and Public Dues		3,889	Estimated based on property tax evaluation certificate and other documents	
Non-life Insurance Premiums		124	Estimated based on the insurance premium for the property.	
Leasing Expenses		1,369	Assumed brokerage fees, advertisement expenses for new tenants, tenant renewals fees and other leasing expenses.	
Repair Costs		2,505	Estimated by referring to engineering reports, building age and similar examples cost of restoration to original state and other costs (including construction management fees).	
Other Expenses		417	Estimated by referring to past income statements.	
Net Operating Income		36,764		
Earnings from Deposits		41	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures		3,168	Estimated by referring to engineering reports, building age and similar cases (expenditure includes construction management fees).	
Net Cash Flow DCF Price		33,638		
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 as well as referring to actual cap rates in deals for similar properties.	
DCF Price		702,000		
Discount Rate		4.8%	Assumed a holding period of ten years. The discount rate is estimated by adding a premium for the individual risks assumed for the property.	
Terminal Cap Rate		4.9%	Added a premium on future risks.	
Cost Approach Value		544,000		
Land Ratio		61.3%		
Building Ratio		38.7%		
Other Matters of Consideration				
None				

5. Seller Profile

Trade name	HORI Development Limited
Head Office location	7-14-205 Yanagawacho, Hakodate-shi, Hokkaido
Representative	Hori Kiyoto
Principal business	Buying and selling of real estate, leasing, brokerage etc.
Capital	3 million yen
Date of Establishment	April 23, 1996
Total Assets	Not disclosed
Net Assets	Not disclosed
Major Shareholders	Not disclosed
Relationship with ADR or ADIM	
Equity, Personnel and Business Relations	There are no equity, personnel or business relations between the seller and ADR or ADIM required to be stated.
Related Parties Status	The seller and its related persons or companies do not apply as a related party to ADR or to ADIM.

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

Omitted. Property is not acquired from parties with special interest.

7. Matters Concerning Earthquake Resistance

The validity of structural calculation document on the asset-to-be-acquired 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.

8. Broker Profile

Trade name	Dainichi Capital & Hope Co., Ltd.
Head Office location	15-3-5 Minami-Shijyo-Nishi, Chuo-ku, Sapporo-city, Hokkaido
Representative	Sato Shinya
Capital	10 million yen
Commission	20,370,000 yen (excluding consumption tax and regional consumption tax)
Relationship with ADR or ADIM	None.

9. Future Outlook

The effect of the Acquisition on the management performance forecasts for fiscal periods ending January 2018 and July 2018 is negligible. Therefore, the forecasts remain 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]

Photo and Map of the Asset-To-Be-Acquired

* 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 (million)	Building Age (Note1)	NOI Yield (Note2)	Yield after Depreciation (Note3)	The Reason for the Acquisition
RESIDIA Sapporo-eki North	¥ 679	14.9 year	5.4%	4.2%	Because we can be expected to secure long term stable earnings from scarce property in the city's largest terminal station in the walking area .

(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 8,042 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	116	43
Total Acquisition Price	¥167,056 million	¥69,607 million
Total Deal Value (a)	¥167,056 million	¥64,196 million
Appraisal Value (b)	¥179,955 million	¥61,944 million (note 1)
Ratio (a) ÷ (b) × 100%	92.8%	103.6%
Weighted Average NOI yield	5.8% (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.

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

	Singles	Compacts	Families	Large	Dormitories	Others	Total
Tokyo Central 7 Wards	852	10	-44	-166	0	-1	651
Tokyo 23 Wards Exclusive of Central 7 Wards	1,920	692	435	11	0	13	3,071
Tokyo 23 Wards	2,772	702	391	-155	0	12	3,722
Tokyo Metropolitan Area	440	10	-105	0	-748	-4	-407
Major Regional Cities	1,806	1,144	323	63	0	1	3,337
Other Regions	2,246	1,154	218	63	-748	-3	2,930
Total	5,018	1,856	609	-92	-748	9	6,652

■ Status of the Portfolio After the Acquisition

Asset Size (based on acquisition price)	443.3 billion yen
No. of Properties	261 properties
No. of Leasable Units	20,888 units
Total Leasable Floor Area	783,781.16 m ²

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	172.0 billion yen	38.8%
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	144.1 billion yen	32.5%
Tokyo 23 Wards	316.1 billion yen	71.3%
S (Tokyo Metropolitan Area)	40.9 billion yen	9.2%
R (Major Regional Cities)	86.2 billion yen	19.5%
Other Regions	127.2 billion yen	28.7%
Total	443.3 billion yen	100.0%

[Reference Material]

Photos and Map of the Asset-To-Be-Acquired

R-74) RESIDIA Sapporo-eki North



Google Maps 3 Chome-4-12 Kita 10 Jōnishi
RESIDIA Sapporo-eki North



Map data ©2018 Google, ZENRIN 200 m