



Questions and Answers at the Fiscal Period January 2018 Earnings Presentation Advance Residence Investment Corporation

Date: From 15:30 to 16:30, Tuesday, March 13, 2018

Presenter: Kenji Kousaka, President and Representative Director, AD Investment Management Co., Ltd.

- ▶The questions grouped according to the type of topic.
- ▶Advance Residence Investment Corporation is abbreviated as “ADR”.

Internal Growth Related Questions

Q1. Rents were falling in the Kansai and Nagoya areas, what is the cause? Is there no possibility that the influence will spread to Tokyo?

A1. It is in a state of oversupply a little. Since Local developers with the general contractor function actively acquire land and develop, supply of one-room condominiums is increasing in the Kansai area. And Cancellation continued in big unit and the struggle for leasing in Nagoya
In Tokyo, the supply pressure is still low, and it is difficult to imagine the influence.

Q2. Although there was explanation that the cap rate of the appraisal evaluation is bottoming out, is the cap rate stopped decreasing even in the actual deal?

A2. In actual transactions, the cap rate is more aggressive. The cap rate is around 4% and plus or minus 0.2% is the current viewpoint in the case of a typical residential property.

Although continuous appraisal evaluation, the cap rate tends to level off as it is pulled to the previous level.

Q3. Do you see market rents likely to rise in the future?

A3. In general, the balance of supply and demand has been tightened, ADR rent levels continue to rise as the market rent rises. We expect the market rents to rise further in the future, so we can expect a rise in rent.



Q4. Do you see a change in demand trends to rental housing in each region?

A4. The difference in the demand trend among the areas is small. The occupancy rate has remained at the high 96% level in every area.

External Growth Related Questions

Q5. ITOCHU Property Development, Ltd.(IPD) announced that IPD strengthen development of rental housing, but will the external growth pace of ADR accelerate in the future? Although other housing REITs disclosed that it would acquire properties from IPD, are there any major impacts on ADR by increasing external sales?

A5. When IPD purchases land for development, the journal entries for ADR and those for third parties are completed. Those that are not in the direction ADR acquires will be sold to a third party. IPD has a policy to strengthen rental housing development for the purpose of diversifying business, and ADR will be a future acquisition opportunity.

Questions on Other Topics

Q6. The goal of the DPU in the next 1-2 years is set at 5,400 yen, but it will be reached while exchanging properties?

A6. First of all, would like to concentrate on solidifying a 5,300 yen footing based on my ability. We want to consider selling (replacement) of these properties according to the timing of acquiring properties from sponsors with three properties with unrealized losses in the current portfolio.

Q7. It is reported that sponsor ITOCHU Corporation is considering establishing a logistics facility REIT, but is there any impact on ADR in the medium to long term? Also, is there a possibility of future merger?

A7. Logistics facility REIT is in the spotlight and it is true that sponsors' exposure to logistics facility assets is getting bigger. However, since it has been developing business with two pillars of housing and logistics facilities, each of which is a policy to operate independently, it will be affected by inclination to a logistics facility, such as falling exposure to housing. We are not considering regarding mergers at the current situation.



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