

July 26, 2018

**For Immediate Release**

Advance Residence Investment Corporation  
(Securities Code: 3269)

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**Notice Concerning Acquisition of Investment Asset**  
**(RESIDIA Kita-Nijyo-East 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 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.

Name of the Property <small>(Note 1)</small>	Proposed Acquisition Price <small>(Note 2)</small>	Building Age <small>(Note3)</small>	NOI Yield <small>(Note4)</small>	Yield after Depreciation <small>(Note5)</small>
RESIDIA Kita-Nijyo-East III (Centro Sapporo · Kita-Nijyo)	420,000 thousand yen	10.8 year	5.5 %	4.2 %

(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.)

(Note 3) The building age is the age of the building as of today, rounded at the second decimal point.

(Note 4) 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.

(Note 5) 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 5,770 thousand yen per annum.

The real estate acquisition market continues to be very competitive. Property prices continue to be inflated, with limited new supply of good quality properties in good location, especially, for centrally located properties in major cities where stable rental demands can be expected.

Under such an environment, ADR has succeeded in acquiring a scarce property for singles located in Sapporo, Hokkaido by using ADIM's own sourcing network.

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

- The property has a good access to business centers and major commercial centers. It is a 5-minute walk from Sapporo Municipal Subway Tozai Line Bus Center Station and 12-minute walk from JR Hakodate Main Line Sapporo Station.
- The property can expect demands from singles who commute to city center, since the property is located close to the main streets, "Ekimae-dori" and "Odori". It is also very conveniently located since there are many financial institutions, restaurants and shopping centers nearby and department stores and supermarkets within walking distance.
- There is a potential of integrated redevelopment in the future, since the property is located next to ADR owned property RESIDIA Kita-Nijyo-East.

## 2. Acquisition Summary

Property Number	R-76
Name of The Asset-To-Be-Acquired	RESIDIA Kita-Nijyo-East III (Beneficiary Interests in Trust)
Proposed Acquisition Price (appraisal ratio)	420,000 thousand yen (100.0%)
Real Estate Appraisal Value	420,000 thousand yen
Current Titleholder	not disclosed
Scheduled Contract Date	July 26, 2018
Scheduled Acquisition Date	August 1, 2018 or a date to be separately agreed upon with the seller (no later than August 31, 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-76
Name of The Asset-To-Be-Acquired	RESIDIA Kita-Nijyo-East III
Address	1-2 and 2-1-3 Higashi, Kita-Nijyo, Chuo-ku, Sapporo, Hokkaido

Land	
Type of Ownership	Proprietary ownership
Site Area	208.26m <sup>2</sup>
Zoning	Commercial zone
FAR / Building Coverage Ratio	600% / 80%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	1,540.84 m <sup>2</sup>
Structure / Floors	Reinforced concrete with flat roof / 11 floors
Use	Multi-family housing
Construction Completion Date	October, 2007
Building Inspector	Sapporo building director
Building Designer	N.A.D. Corporation
Structural Engineer	Global Kozosekkei LLC
Construction Contractor	Harada Construction Industry Co., Ltd.

Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned)
Trust Contract Period	From August 1, 2018 to August 31, 2028
Property Manager	ITOCHU Urban Community Ltd.
Master Lessee	ITOCHU Urban Community Ltd.
Master Lease type	Pass-through

Summary of Building Conditions Investigation Report	
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation Date	May 30, 2018
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥ 23,929 thousand
Building Replacement Price	¥ 337,000 thousand

Earthquake PML	1.2%
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Lease Conditions	
Point in Time	as of June 30, 2018
Total Tenants	1
Leasable Units	40
Leased Units	35
Leasable Floor Area	1,202.30 m <sup>2</sup>
Leased Floor Area	1,052.29 m <sup>2</sup>
Occupancy Rate (based on floor area)	87.5 %
Monthly Rent (including common service charges)	¥ 2,114 thousand
Deposits, Guarantees, etc.	¥ 1,988 thousand

Number of Units by Type	
Single	20
Compact	20
Family	0
Large	0
Dormitory	0
Other	1

Special Notation	
	Both the south side and the east side facing roads are city planning zone roads. Although the widening of the adjacent part has already been completed, the cutting of corner of the intersection with a base of 5 meter (about 6.25m <sup>2</sup> ) has not been carried out. The road development is not decided yet and there are no details on when the development will start nor how much of the property will be expropriated. As such, there are possibilities that the building will become non-compliant with the building code due to future expropriation when the development actually starts.

\* 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 Kita-Nijyo-East III	Appraisal Date	June 1, 2018
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	Appraisal Value	420,000
Appraisal Items		Appraised Value	Basis
Income Capitalization Approach Value		420,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.
Direct Capitalization Price		426,000	
Total Potential Income		32,250	
Rent Income		31,571	Estimated from average rent based on the current lease agreement and similar properties and from rent and common expense revenue if newly leased.
Other Income		678	Key money estimated from the exchange rate and the vacancy rate. Other income estimated from past income statements.
Total Effective Income		30,981	
Losses from Vacancies, etc.		1,268	Referred to similar properties and past operating status to estimate the medium to long-term stabilized vacancy rate.
Losses from Delinquencies		0	Secured by deposit, no losses are assumed.
Expenses from Rental Business		7,748	
Maintenance and Management Fees		1,260	Estimated by referring to past income statements and fees at similar properties.
Utilities Costs		873	Estimated by referring to past income statements and costs at similar properties.
Management Commission Fees		909	Estimated by referring to fees at similar properties.
Taxes and Public Dues		2,438	Estimated based on property tax evaluation certificate and other documents.
Non-life Insurance Premiums		79	Estimated based on the insurance premium for the property and similar properties.
Leasing Expenses		864	Estimated by referring to past income statements and costs at similar properties.
Repair Costs		1,174	Estimated by referring to engineering reports and similar examples. Tenant replacement costs are assessed by taking into consideration the replacement rate and vacancy rate
Other Expenses		150	Estimated by referring to past income statements.
Net Operating Income		23,232	
Earnings from Deposits		23	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.
Capital Expenditures		1,518	Estimated by referring to the level of capital expenditures in similar properties, building age and annual average of restoration cost listed on the engineering report.
Net Cash Flow DCF Price		21,737	
Cap Rate		5.1%	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		418,000	
Discount Rate		4.9%	The discount rate is estimated by comparing the discount rate used in actual deals for similar properties and reflecting the individual characteristics of the property.
Terminal Cap Rate		5.3%	Added a premium on future risks.
Cost Approach Value		407,000	
Land Ratio		42.4%	
Building Ratio		57.6%	
Other Matters of Consideration			
None			

## 5. Seller Profile

The seller of the property is a domestic company whose name and details are not disclosed according to their wishes. The seller does not constitute a party having particular vested interest in ADR or 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, Tokio Marine & Nichido Risk Consulting Co., Ltd. ADR has obtained the 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	TOKYU LIVABLE, INC.
Head Office location	1-9-5 Dogenzaka, Shibuya-ku, Tokyo,
Representative	Shinji Sakaki
Capital	1,396.3 million yen
Commission	Not disclosed in accordance to the broker's wish
Relationship with ADR or ADIM	None

## 9. Future Outlook

The effect of the Acquisition on the management performance forecasts for fiscal periods ending January 2019 is negligible. Therefore, the forecasts remain unchanged.

[Supplementary Materials]

1. Status of the Portfolio After the Acquisition

Asset Size (based on acquisition price)	448.1 billion yen
No. of Properties	264 properties
No. of Leasable Units	21,286 units
Total Leasable Floor Area	790,612.82 m <sup>2</sup>

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	169.5 billion yen	37.8%
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	149.6 billion yen	33.4%
Tokyo 23 Wards	319.2 billion yen	71.2%
S (Tokyo Metropolitan Area)	41.5 billion yen	9.3%
R (Major Regional Cities)	87.3 billion yen	19.5%
Other Regions	128.8billion yen	28.8%
Total	448.1billion yen	100.0%

\* URL: <http://www.adr-reit.com/en/>

[Provisional Translation Only]

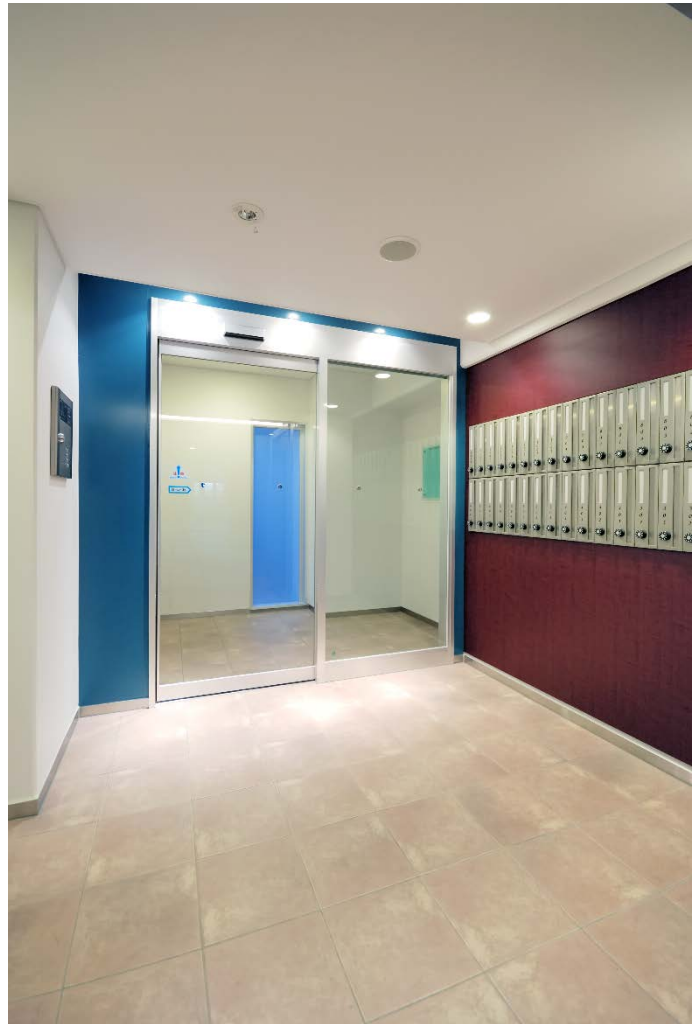
English translation of the original Japanese document is provided solely for information purposes.

Should there be any discrepancies between this translation and the Japanese original, the latter shall prevail.

[Reference Material]

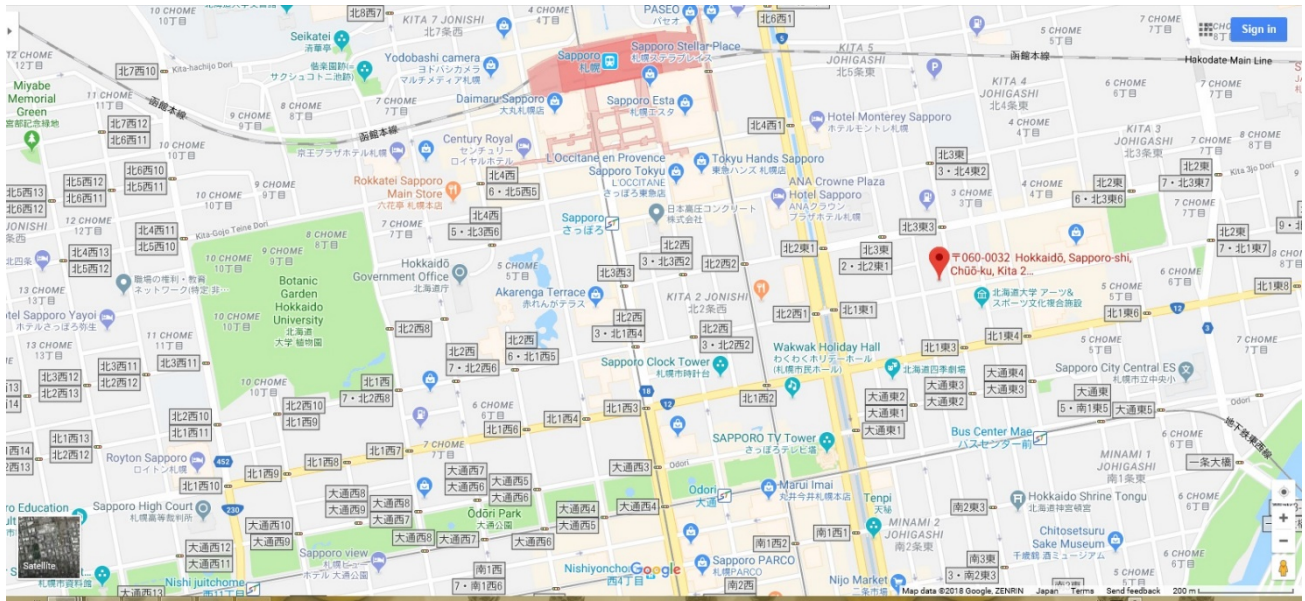
R-76 ) RESIDIA Kita-Nijyo-East III

Photos of the Asset-To-Be-Acquired





## Map indicating the location of the Asset-To-Be-Acquired



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