

For Immediate Release

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Notice Concerning Acquisition of Investment Asset (RESIDIA TOWER Sendai)

Advance Residence Investment Corporation (ADR) announced its decision today to acquire asset in Japan as detailed below as part of its growth strategy.

1. Details of Acquisition

ADR decided on the following acquisition pursuant to the target and policy of asset management as stipulated in its Articles of Incorporation, under the objective of increasing the asset under management of the portfolio that earns a stable income through diversified investment in all regions and in all apartment unit types.

Property number	Name of to-be-acquired asset ^(Note 1)	Type of to-be-acquired asset	Proposed acquisition price ^(Note 2)
R-52	RESIDIA TOWER Sendai (DIARIO Itsutsubashi)	Beneficiary interests in trust	¥1,705 million

^(Note 1) ADR is scheduled to change the property name after acquisition of the to-be-acquired asset listed above. For the to-be-acquired asset that is scheduled to have their name changed, the name after the change is shown with the name as of today shown in parentheses.

^(Note 2) "Proposed acquisition price" indicates the purchase price for the properties entered in the trust beneficiary interests disposition contracts, and real estate transaction agreements, which are exclusive of the various expenses required in the acquisition of the concerned properties (broker commission, taxes and public dues, etc.)

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

R-52) RESIDIA TOWER Sendai

- The property is 8 minute walk from JR Tohoku Line Sendai Station, 3 minute walk from Sendai City Subway Nanboku line Itsutsubashi Station, giving tenants good access to major district in Sendai city.
- There are many convenient facilities for living such as supermarkets, convenience stores, hospitals and parks in the surrounding area.
- The housing unit plans for the property are mostly 2LDK and 3LDK. The property can expect demands from DINKS and families that commute to the city center due to its accessibility and convenience of living.

2. Acquisition Summary

Name of property	RESIDIA TOWER Sendai
Asset to be acquired	Beneficiary interests in trust
Proposed acquisition price	¥1,705 million
Seller	Not Disclosed
Scheduled agreement date	November 21, 2013
Scheduled acquisition date	November 29, 2013
Acquisition financing	Debt and funds on hand
Payment method	Pay entire amount upon delivery

3. Summary of the To-be-Acquired Asset

(1) R-52) RESIDIA TOWER Sendai

Type of specified asset	Beneficiary interests in trust	Scheduled acquisition date	November 29, 2013	Proposed acquisition price	¥1,705 million
Property Outline					
Location	Address	3-1-2 Itsutsubashi, Wakabayashi-ku, Sendai-shi, Miyagi			
Land	Type of ownership	Proprietary ownership	Zoning	Commercial zone	
	Site area	1,131.02 m ²	FAR / Building coverage ratio	500%/80%	
Building	Type of ownership	Proprietary ownership	Breakdown of residential unit type	Units	
	Total floor area	7,032.07 m ²	Single type	-	
	Structure / Floors	SRC with flat roof B1F/19F	Compact type	-	
	Use	Apartment	Family type	64	
	Construction completion date	January 2008	Large type	3	
	Confirmation inspection agency	JAPAN ERI CO.,LTD.	Dormitory type	-	
	Building designer	Nikkisekkei 1st Class Qualified Architect Office	Other	-	
	Structural designer	MAEDA CORPORATION 1st Class Qualified Architect Office	Trustee	Mizuho Trust & Banking Co., Ltd.	
	Construction contractor	APA Construction	Property Manager	HASEKO LIVENET, Inc (planned)	
Previous titleholder		Not Disclosed	Master lessee	HASEKO LIVENET, Inc (planned)	
Current titleholder		Not Disclosed	Master lease type	Pass-through (Planned)	
Summary of Real Estate Appraisal Report					
Real estate appraiser		Japan Real Estate Institute	Appraised date	October 1, 2013	
Real estate appraised value		¥1,750 million	Cap rate	5.8%	
Direct capitalization price		¥1,770 million	Discount rate	5.6%	
DCF PRICE		¥1,730 million	Terminal cap rate	6.0%	
Income/Expenditures Assumed in Calculating Direct Capitalization Price (Monetary unit: ¥ thousand)			Lease Conditions (as of October 31, 2013)		
Appraisal item		Appraised value	Total tenants	1	
(A) Total potential profit	Subtotal	144,894	Leasable units	67	
	Rent income	142,770	Leased units	66	
	Other income	2,124	Leasable floor area	5,090.47 m ²	
(B) Total effective profit	Subtotal	137,675	Leased floor area	5,025.64 m ²	
	Losses from vacancies, etc.	7,219	Monthly rent (including common service charges)	¥10,577 thousand	
	Bad debts losses	0	Deposits, guarantees, etc.	¥10,309 thousand	
(C) Expenses from rental business	Subtotal	31,887	Occupancy rate (based on floor area)	98.7%	
	Maintenance and management fees	8,280	Summary of Building Conditions Investigation Report		
	Utilities costs	2,500	Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.	
	Management commission fees	2,704	Investigation date	November, 2013	
	Taxes and public dues	10,190	Emergency repair costs	—	
	Non-life insurance premiums	313	Short-term repair costs (within 1 year)	—	
	Rental advertising costs	4,197	Long-term repair costs (next 12 years)	¥60,009 thousand	
	Repair costs (including restoration fees)	3,040	Building replacement price	¥1,242,000 thousand	
	Other expenses	663	Summary of Earthquake PML Assessment Report		

(D) Profit or loss from rental business = (B) – (C)	105,788	PML	2.3%
(E) Operating profit from deposits	207	Collateral	
(F) Capital expenditures	3,590	Not Scheduled	
(G) Net profit = (D) + (E) – (F)	102,405		
Special Notation			
There is an agreement between neighboring land owners and tenants to allow part of the property in trust to be used free of charge as passage to their parking space.			

- As of October 31, 2013, construction work is being done to convert the common space party room on the second floor to a leasable residential unit (leasable floor area 64.83m²).
- The information on the above table are listed assuming the conversion work is completed.
- Therefore as of October 31, 2013, where the party room is excluded from the leasable floor area, the property is actually fully occupied.

[Explanation of Entries in Foregoing Tables]

(i) Explanation of “Property Outline”

- In principle, the entries are based on October 31, 2013
- “Type of Ownership” indicates the scheduled type of ownership, whether the property is going to be held as beneficiary interest in trust or as actual real estate.
- “Site area” for the land provides the area of the land as indicated in the registry. However, there are possibilities that the actual site areas of the property are not as indicated in the registry.
- “Zoning” for the land provides the zoning classification given in Article 8-1-1 of the City Planning Law.
- The “FAR / Building coverage ratio” for the land provides the designated FAR or building coverage ratio determined by city planning.
- “Total floor area,” “Structure / Floors,” “Use” and “Construction completion date” for the building are each pursuant to the entries indicated in the registry for the property. However, “Use” column provides the primary use out of the types indicated in the registry for the real estate in trust. “Total floor area” column provides the floor area of the overall building (excludes floor area of annexed buildings)
- “Breakdown of residential unit type” lists the types of residential units based on the following classification. Store, office and other uses apart from residential units are shown under “Other.”

Layout	Exclusive-use floor area							
	~30m ²	~40m ²	~50m ²	~60m ²	~70m ²	~80m ²	~90m ²	Over 90m ²
Studio	S	S	C	C	L	L	L	L
1 bedroom	S	C	C	C	L	L	L	L
2 bedroom		C	C	F	F	F	F	L
3 bedroom			F	F	F	F	F	L
4 bedroom					F	F	F	L

- S: Single type Primarily residential units designed for single-person households
- C: Compact type Primarily residential units designed for single-person households and small-family households (2 to 3 people)
- F: Family type Primarily residential units designed for family households
- L: Large type Primarily residential units designed for foreigners

- Studio 1R, 1K or studio
- 1 bedroom 1DK or 1LDK
- 2 bedroom 2DK, 2LDK, 1LDK+S, etc.
- 3 bedroom 3DK, 3LDK, 2LDK+S, etc.
- 4 bedroom 4DK, 4LDK, 3LDK+S, etc., or those with 5 or more rooms that are in ongoing use for living, working, gathering, leisure or other similar purposes

Dormitory type

Residential units without bathrooms or facilities for installing washing machines within the units, but are covered for by making them available for use as shared facilities within the property (communal bathing, laundry, etc., spaces)

*Life & Senior House Kohoku II, Cocofump Hiyoshi and College Court Tanashi are categorized as Dormitory type due to their characteristics.

- “Units” provides the leasable units of the property categorized by the number of units of each type of residential unit that is leasable as of the date of this document based on information received from the current titleholder.
- “Current titleholder” names the holder as of the date of this document of the asset to be acquired whether in beneficiary interest in trust or the actual real estate. “Previous titleholder” names the party that transferred rights of the asset to be acquired to the current titleholder.
- “Trustee” indicates the trustee or the trustee to be indicated in the trust agreement for the asset to be acquired as of the date of this document.
- “Master lessee” names the lessee that, as of the date of this document, is scheduled to enter into a master lease agreement with the titleholder of the real estate or the real estate in trust.
- “Master lease type” indicates “Passthrough” when the master lease agreement states that the master lessee is to pay the same amount of rent as the rent due to be paid to the master lessee by end-tenants and “Guaranteed payment” when the master lease agreement states that the master lessee is to pay a guaranteed amount of rent, as of the date of this document. However, “Master lease type” indicates “Guaranteed payment” even if a master lease agreement is a passthrough lease in the case that a sublessee to which the master lessee subleases all units is to pay a guaranteed amount of rent to the master lessee.
- “Property manager” names the property manager that, as of the date of this document, is scheduled to be delegated to conduct property management services for the respective real estate or the real estate in trust. Where property management services are re-delegated, the property manager re-delegated to conduct property management services is shown.

(ii) Explanation of “Summary of Real Estate Appraisal Report”

- The entries in each field of “Summary of Real Estate Appraisal Report” are pursuant to the entries in the appraisal report prepared by Japan Real Estate Institute for the respective real estates or the real estate in trust.
- The monetary amounts are rounded down to the nearest million yen.
- ADR is not an interested party to Japan Real Estate Institute.

(iii) Explanation of “Lease Conditions”

- In principle, the entries are based on October 31, 2013.
- If there is or scheduled to be a contract with a master lessee, the number of *Total tenants* will be indicated as “1.”
- “Leasable units” provides the number of leasable units of the real estate in trust or real estate as of the date of this document based on information received from the current titleholder. If the contract is a guaranteed payment contract, the “Leasable units” indicate the number of units which can be leased.
- “Leasable floor area” provides the leasable floor area of the real estate in trust or real estates (excluding leasable parking area) that ADR will acquire as of the date of this document based on information received from the current titleholder or which is indicated on the contracts or indicated on the plans.
- “Leased floor area” indicate the leased floor space. If the contract type is a path-through contract, the leased floor area indicates the actual total leased area to the end-tenants. If the contract type is a guaranteed payment contract, the leased floor area indicates the total leasable floor area. The entries are based on information received from the current titleholder or which is indicated on the contracts or indicated on the plans.
- “Monthly rent” provides the total sum of monthly rents as indicated in the lease contracts concluded by the end-tenants if the master lease is passthrough type. In case the master lease “guaranteed payment type,” “Monthly rent” provides the total sum of monthly rents as indicated in the lease or sublease contract with guaranteed payment. Either includes fixed common fees, but excludes usage fees of affixed facilities such as monthly parking lots and trunk rooms. Monetary amounts less than thousand yen are rounded down, and consumption tax is excluded as well.
- “Deposits, guarantees, etc.” provides the total balance based on the lease contract with monetary amounts less than thousand yen rounded down. However, in case in the lease contracts there are special provision that allow nonreturnable deposits, such as cancellation deduction and amortization of security deposit, then the monetary amount is provided after the deduction.
- Occupancy rate is calculated as follows. “Leased area” ÷ “Leasable area” × 100

(iv) Explanation of “Summary of Building Conditions Investigation Report”

- The entries are based on the report from Tokio Marine & Nichido Risk Consulting Co., Ltd.

(v) Explanation of “Special Notation”

- “Special Notation” presents matters recognized to be of importance in association with the rights, use of the assets to be acquired, as well as matters recognized to be of importance in the consideration of the degree of impact on the appraised value, profitability and appropriation of the assets to be acquired, including the following matters...
 - Significant limitations or restrictions by laws, ordinances, rules and regulations
 - Significant burdens or limitations with regard to rights.
 - Significant cases where there are architectural structures crossing the boundaries of the concerned real estate in trust and cases where there are issues with boundary confirmation and related arrangements.
 - Significant agreements, arrangements made with co-owners and sectional owners

4. Seller Profiles

The seller of the property is a domestic SPC whose names and detail are not disclosed according to their wishes. The sellers do not constitute parties having particular vested interest in ADR or in its asset management company.

5. Disclosures on Asset Management Company’s Vested Interest in the To-be-Acquired Asset

There is no contract concerning Asset Management Company’s Vested Interest in the To-be –Acquired Asset.

6. Matters Concerning Earthquake Resistance

For the to-be-acquired asset the validity of structural calculation documents on the asset has been examined by a third-party agency. ADR has obtained the following investigation result 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 law.

Trade name	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Head office location	1-2-1 Marunouchi, Chiyoda-ku, Tokyo
Representative	Ken Kamikouchi, President and Representative Director
Capital	¥100 million
Large shareholders	Tokio Marine Holdings, Inc.
Principal business	Researching, providing information, diagnosing, consulting, holding seminars, publishing, and providing training on security, disaster prevention, health, product safety and information management.
Relationship with ADR or its asset management company	None

7. Broker Profile

Domestic corporation brokered the property. Details of the corporation is not disclosed according to their wishes. The broker does not constitute parties having particular vested interest in ADR or in its asset management company.

8. Future Outlook

The management performance forecasts for the fiscal period ending January 2014 (from August 1, 2013 to January 31, 2014) and ending July 2014 (from February 1, 2014 to July 31, 2014) remain unchanged.

[Supplementary Materials]

1. Supplementary Materials regarding the To-Be-Acquired Asset

2. Replacement of Properties Since the Merger (as of today)

(“Since the Merger” means since March 1, 2010, hereafter)

•Reference Materials:

Photo of façade of the To-Be-Acquired asset

[Supplementary Materials]

1. Supplementary Materials regarding the To-Be-Acquired Asset

■ To-be-Acquired Asset

Property	Building Age (Note1)	NOI Yields (Note2)	Reason for the Acquisition
R-52) RESIDIA TOWER Sendai	5.8 Years	6.2%	Determined that the asset will contribute in improving the portfolio's earnings potential by its relatively young building age, and with its NOI yield which is expected to exceed the actual NOI yield of existing portfolio.

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

(Note2) The "NOI Yield" is calculated using the figures in the acquisition appraisal of the to-be-acquired asset. The calculation is as follows, "direct capitalization method annualized NOI ÷ acquisition price × 100". The calculated yield is rounded at the second decimal point.

2. Replacement of Properties Since the Merger (as of today)

■ Status of Replacement of Properties Since the Merger (as of today)

	Acquired assets (including the to-be-acquired asset)	Disposed assets
Number of properties	54	36
Total acquisition price	¥92,685 million	¥39,388 million
Total deal value (a)	¥92,685 million	¥33,996 million
Appraisal (b)	¥98,370 million	¥36,790million (note1)
Ratio (a) ÷ (b) × 100%	94.2%	92.4%
Weighted average NOI yield	6.0% (note2)	4.9% (note3)
Weighted average building age (Note 4)	3.9yrs.	9.9yrs.

(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

	Singles	Compacts	Families	Large	Dormitories	Others	Total
Tokyo Central 7 Wards	361	-33	-42	-62	0	8	232
Tokyo 23 Wards Exclusive of Central 7 Wards	907	458	370	11	0	8	1,754
Tokyo Metropolitan Area	241	-18	-72	0	172	-2	321
Major Regional Cities	895	258	205	-3	0	-4	1,351
Total	2,404	665	461	-54	172	10	3,658

■ Status of Portfolio After the Disposition and the Acquisition

Asset size (based on acquisition price)	399.2 billion yen
No. of properties	206 buildings
No. of leasable units	17,894 units
Total leasable floor area	679,713.66 m ²

Area Diversification	Acquisition Price	Share of Investment
Total	399.2billion yen	100.0%
P (Tokyo Central 7 Wards)	180.5billion yen	45.2%
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	115.2billion yen	28.9%
S (Tokyo Metropolitan Area)	42.2billion yen	10.6%
R (Major Regional Cities)	61.1 billion yen	15.3%

(Reference Material)

Photo of façade of the to-be-acquired asset
R-52) RESIDIA TOWER Sendai

