

For Immediate Release

Advance Residence Investment Corporation
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Notice Concerning Acquisition of Investment Asset (RESIDIA Tsutsujigaoka-Koen)

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 located 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 the Articles of Incorporation of ADR, to build a portfolio that earns stable income through diversified investment in all regions and in all apartment unit types.

Name of The Asset-To-Be-Acquired ^(Note 1)	RESIDIA Tsutsujigaoka-Koen (Beneficiary Interests in Trust)
Proposed Acquisition Price (Price / Appraisal ratio) ^(Note 2)	740,000 thousand yen (95.5%)
Real Estate Appraisal Value ^(Note 3)	775,000 thousand yen
NOI Yield ^(Note 4)	5.6%
Yield after Depreciation ^(Note 5)	4.3%
Building Age ^(Note 6)	13.5year
Seller	Hoosiers Asset Management Co., Ltd.
Scheduled Contract Date	August 29, 2019
Scheduled Acquisition Date	December 19, 2019 or a date to be separately agreed upon with the Counterparty (no later than December 27, 2019)
Acquisition Financing (Payment Method)	Cash-on-hand (Full payment on delivery)
Collateral	None

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

The name of the property is currently 「M’s Court Tsutsujigaoka」

(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) Appraisal Date is June 30, 2019

(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 is calculated using same straight-line method as the portfolio and expect depreciation of 9,691 thousand yen per annum.

(Note 6) The building age is the age of the building as of today, rounded at the second decimal point.

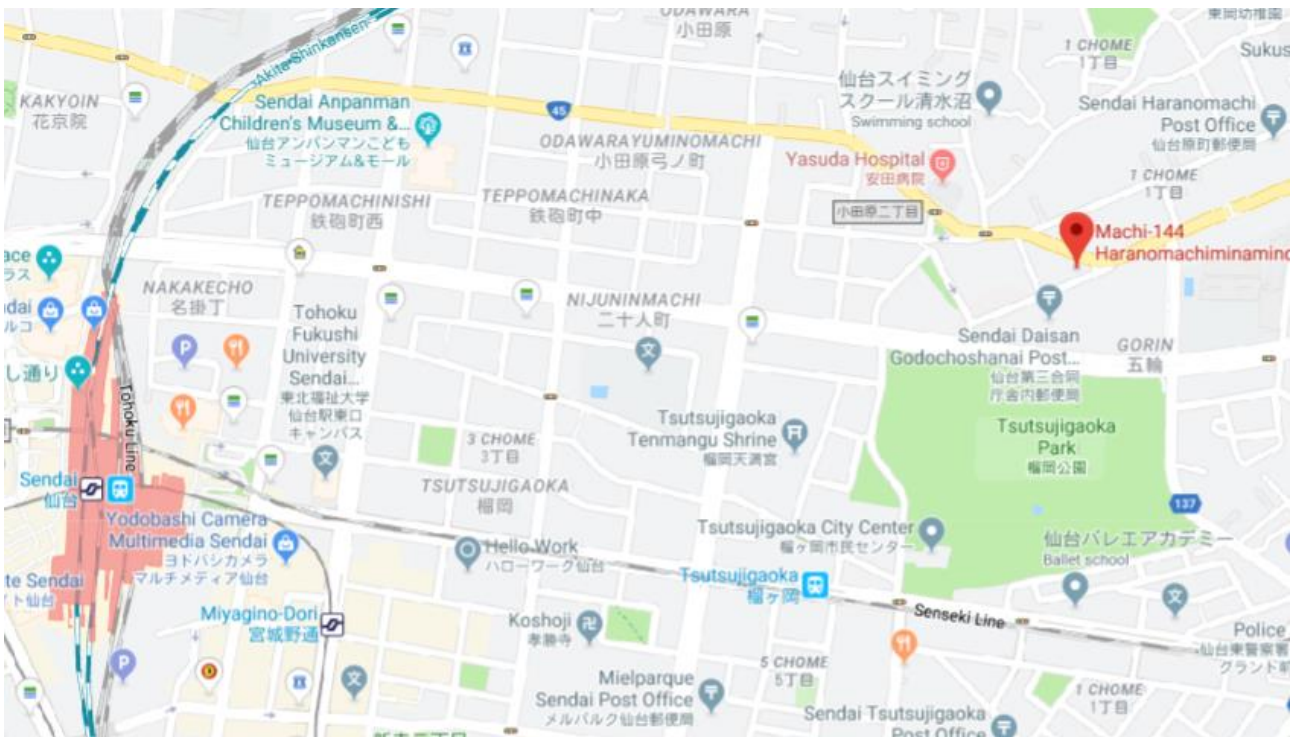
The real estate acquisition market continues to be very competitive with prices inflated and new supply of good quality properties in good location limited, especially, for centrally located properties in major cities where stable rental demands can be expected.

Under such an environment, ADR has succeeded in acquiring a property for singles and DINKS located in Sendai, Miyagi 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 is a 10-minute walk from JR Senseki Line Tsutsujigaoka station and has a good access to the city center of Sendai.
- There are convenient living facilities such as supermarkets, convenience stores, and hospitals in the surrounding area, making it a good residential neighborhood.

2. Map of the Asset-To-Be-Acquired (144 Haranomachi Minaminome, Miyagino-ku, Sendai-city, Miyagi prefecture)



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3. Photos of the Asset-To-Be-Acquired



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

Property Number	R-78
Name of The Asset-To-Be-Acquired	RESIDIA Tsutsujigaoka-Koen
Address	144 Haranomachi Minaminome, Miyagino-ku, Sendai-city, Miyagi prefecture

Land	
Type of Ownership	Proprietary ownership
Site Area	610.96m ²
Zoning	Commercial zone
FAR / Building Coverage Ratio	400% / 80%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	2,302.34 m ²
Structure / Floors	Reinforced concrete with flat roof / 10 floors
Use	Multi-family housing
Construction Completion Date	February, 2006
Building Inspector	Miyagi Prefectural Architecture and Housing Center
Building Designer	M's Planning and Design Co., Ltd.
Structural Engineer	Structural Planning Co., Ltd.
Construction Contractor	Hasekura Architecture Planning Co., Ltd.

Trustee	Mitsubishi UFJ Trust and Banking Corporation (Planned)
Trust Contract Period	From December 19, 2019 to December 31, 2029 (Planned)
Property Manager	HASEKO LIVENET, Inc. (Planned)
Master Lessee	HASEKO LIVENET, Inc. (Planned)
Master Lease type	Pass-through

Summary of Building Conditions Investigation Report	
Investigator	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Investigation Date	May 28, 2019
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥ 60,084 thousand
Building Replacement Price	¥ 562,000 thousand

Earthquake PML	2.7%
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Lease Conditions	
Point in Time	as of July 31, 2019
Total Tenants	1
Leasable Units	63
Leased Units	60
Leasable Floor Area	1,970.19 m ²
Leased Floor Area	1,888.53 m ²
Occupancy Rate (based on floor area)	95.9 %
Monthly Rent (including common service charges)	¥ 4,167 thousand
Deposits, Guarantees, etc.	¥ 4,153 thousand

Number of Units by Type	
Single	45
Compact	18
Family	0
Large	0
Dormitory	0
Other	0

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 (<https://www.adr-reit.com/financial/bukken/>)

5. Appraisal Report Summary

Name of Property	RESIDIA Tsutsujigaoka-Koen	Appraisal Date	June 30, 2019
Appraiser	JLL Morii Valuation & Advisory K.K	Appraisal Value	775,000 thousand yen
Appraisal Items	Appraised Value	Basis	
Income Capitalization Approach Value	775,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.	
Direct Capitalization Price	789,000		
Total Potential Income	56,338		
Rent Income	55,042	Estimated from average rent based on the current lease agreement and from mid to long-term stabilized rent.	
Other Income	1,296	Estimated using historical figures.	
Total Effective Income	53,433		
Losses from Vacancies, etc.	2,905	Estimated using standard vacancy rate but adjusted for specific characteristics of the property.	
Losses from Delinquencies	-	Not applicable. Secured through guarantee deposit.	
Expenses from Rental Business	12,112		
Maintenance and Management Fees	1,709	Estimated using historical figures and by referring to the cost of comparable property.	
Utilities Costs	1,144	Estimated using historical figures and by referring to the cost of comparable property.	
Management Commission Fees	1,568	Estimated by referring to the cost of comparable property.	
Taxes and Public Dues	3,044	Assessed using historical figures adjusted for depreciation.	
Non-life Insurance Premiums	130	Estimated based on the insurance premium for the property.	
Leasing Expenses	1,533	Referred to regional practices, turnover rate of the property and estimated by looking at how much is needed in leasing to new tenants.	
Repair Costs	2,876	Repair costs are estimated as 30% of repair fees assumed in the engineering report. Restoration fees are estimated using historical figures and turnover rated and referring to the level of expenditures in comparable properties.	
Other Expenses	108	Estimated using historical figures includes non-premises parking lot rental fee.	
Net Operating Income	41,321		
Earnings from Deposits	40	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	3,505	70% of normalized capital expenditure estimated in the engineering report.	
Net Cash Flow DCF Price	37,856		
Cap Rate	4.8%	Discount rate adjusted by risk on changes in future net income and principal value.	
DCF Price	760,000		
Discount Rate	4.6%	Estimated by taking account of market trend, locality and specific feature of the property.	
Terminal Cap Rate	5.0%	Added a premium on future risks.	
Cost Approach Value	438,000		
Land Ratio	49.6%		
Building Ratio	50.4%		
Other Matters of Consideration			
None			

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

Real estate sales transaction agreement (hereafter, “the Agreement”) for the assets-to-be-acquired will constitute a forward commitment or similar agreement ^(Note 7) 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 7) 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.

7. Seller Profile

Trade name	Hoosiers Asset Management Co., Ltd.
Head Office location	4-3-16 Nihonbashi Muromachi, Chuo-ku, Tokyo
Representative	Fujii Yukio, President and Chief Executive Officer
Principal business	Investment, development, and leasing of real estate
Capital	10 million yen
Date of the establishment	February 7, 2000
Total Assets	21,698 million yen (as of March, 2019)
Net Assets	3,149 million yen (as of March, 2019)
Total Net Assets	3,149 million yen (as of March, 2019)
Large shareholder	Hoosiers Holdings (as of March, 2019)
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.

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

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

9. 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.

Third-party inspector Profile

Trade name	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Head Office location	1-5-1 Otemachi, Chiyoda-ku, Tokyo
Representative	Shimakura Taizo, President and Chief Executive Officer
Capital	100 million yen
Large shareholder	Tokio Marine Holdings, Inc.
Principal business	building inspection and soil environmental assessment, etc.
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.

10. Broker Profile

Broker was not employed in the transaction..

11. Future Outlook

The effect of the Acquisition on the management performance forecasts for fiscal periods ending January 2020 is negligible. Therefore, the forecasts remain unchanged.

About Advance Residence Investment Corporation

Advance Residence Investment Corporation is the largest residential J-REIT, investing in over 260 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 400 billion yen). ADR can be expected have a stable dividend in the long-term and can be considered as a defensive J-REIT, on back of the stable income from residential assets and with the largest dividend reserve among J-REITs. ADR's website: <https://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.