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For Immediate Release

## REIT Issuer:

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## Notice Concerning Disposition of Domestic Real Estate and Trust Beneficiary Interest in Real Estate

Daiwa House REIT Investment Corporation (“DHR”) hereby announces the decision made today by Daiwa House Asset Management Co., Ltd. (the “Asset Manager”), the asset manager to which DHR entrusts the management of its assets, for DHR to dispose of the following three properties (the “Anticipated Dispositions”) as described below (the “Disposition”).

### 1. Disposition overview

Property number	Property name	Asset class	Anticipated date of disposition	Anticipated sale price (million yen) (Note 1)	Anticipated book value (million yen) (Note 2)	Difference between anticipated sale price and anticipated book value (million yen)	Gain or loss on sale (million yen) (Note 3)	Appraisal value (million yen) (Note 4)
RE-121	Castalia Maruyama Urasando	Residential	December 21, 2020	720	350	369	344	511
RE-122	Castalia Maruyama Omotesando	Residential	January 29, 2021	2,055	1,490	564	492	2,000
RE-131	Big Tower Minami Sanjo	Residential	March 1, 2021	3,515	1,182	2,332	2,209	2,760
Total				6,290	3,023	3,266	3,045	5,271

(Note 1) Excluding various expenses related to dispositions, settlement money such as taxes and dues, and consumption taxes, etc.

(Note 2) Anticipated book value as of each anticipated date of disposition.

(Note 3) Gain or loss on sale represents the forecast amount.

(Note 4) Appraisal value as of August 31, 2020.

#### (1) Type of specified asset

- |  |   |   |
|--|---|---|
| Castalia Maruyama Urasando                               | : | Real estate                                     |
| Castalia Maruyama Omotesando                             | : | Real estate                                     |
| Big Tower Minami Sanjo                                   | : | Trust beneficiary interest in real estate       |
| (2) Anticipated date of the sale and purchase agreements | : | Please refer to “6. Disposition schedule” below |
| (3) Buyer  | : | Please refer to “4. Buyer profile” below        |
| (4) Settlement method                                    | : | Payment of entire amount upon transfer          |

### 2. Disposition rationale

With an aim to improve portfolio quality, DHR will dispose of the Anticipated Dispositions, based on the examination in terms of the medium- to long-term management efficiency of DHR’s portfolio and characteristics of the respective properties and comprehensively considering factors such as the competitiveness of the Anticipated Dispositions and market conditions.

DHR also intends to promote efficiency of portfolio management by the Disposition, since the Anticipated Dispositions are considered at risk for a potential decrease in NOI in the future due to rent reduction and increased repairs and maintenance expenses.

The following factors were considered for the decision with regard to each of the Anticipated Dispositions.

(1) Castalia Maruyama Urasando and Castalia Maruyama Omotesando

These properties are located in an academic district popular among family households in Chuo Ward of Sapporo City in Hokkaido. However, characteristics of the properties including floor layout and monthly rent range have somewhat deviated from the rental demand in the area in recent years. Based on the view that it would be hard to maintain or improve profitability of the properties going forward and after considering the risk of potential decrease in profitability and the risk of reversal of the real estate trading market, DHR judged it would be preferable to dispose of the properties at the current point.

(2) Big Tower Minami Sanjo

The property is a 31-story high-rise condominium built more than 13 years ago with the timing for large-scale repair work becoming imminent, and capital expenditure and repairs and maintenance expenses are expected to rise. Based on the view that it would be hard to maintain or improve profitability of the property going forward and after considering the risk of potential decrease in profitability and the risk of reversal of the real estate trading market, DHR judged it would be preferable to dispose of the property at the current point.

The total of the anticipated sale price of the Dispositions is higher than the anticipated book value by 108.0% and the appraisal value by 19.3% against a backdrop of a booming real estate trading market.

DHR believes the Disposition and returning of the gain on sale to unitholders as distributions over the fiscal periods ending February 28, 2021 and August 31, 2021 will contribute to expand our unitholders' value.

By utilizing part of the gain on sale of investment properties in the fiscal periods ending February 28, 2021 and August 31, 2021, DHR plans to strategically bring forward some of the repair work scheduled in later periods with an aim to cut back repairs and maintenance expenses in the future and thereby stabilize NOI.

Net proceeds of the Disposition will be used to pay distributions to unitholders and the remainder will be reserved as cash on hand to use as funds for acquiring assets such as large-scale logistics properties in the future.

3. Details of the Anticipated Dispositions

Overview of leasing is based on information as of August 31, 2020.

Property number		Castalia Maruyama Urasando	Asset class	Residential
RE-121			Acquisition price	411 million yen
Type of specified asset		Real estate		
Trustee		-		
Trust maturity date		-		
Location	Lot number	21-55-1, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido		
	Address	21-1-47, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido		
Land	Type of ownership	Ownership		
	Land area	532.43 m <sup>2</sup>		
	Area classification	Neighborhood commercial district		
	Building coverage ratio	80%		
	FAR	300%		
Building	Type of ownership	Ownership		
	Gross floor area	1,891.08 m <sup>2</sup>		
	Use	Apartment complex		
	Structure	Reinforced concrete building		
	Number of floors	10F		
	Date of construction	August 15, 2007		
Collateral		None		
Overview of leasing				
Leasable area		1,522.89 m <sup>2</sup>	Number of leasable units	36

Leased area		1,354.89 m <sup>2</sup>		Annual rent		37 million yen	
Occupancy rate		89.0%		Tenant leasehold and security deposit		3,205 million yen	
Historical occupancy rate	August 2018	February 2019		August 2019	February 2020	August 2020	
	97.7%	95.4%		97.7%	87.5%	89.0%	
Master lease company				Big Co., Ltd.			
Master lease type				Pass-through type			
Property management company				Big Co., Ltd.			

Property number		Castalia Maruyama		Asset class		Residential	
RE-122		Omotesando		Acquisition price		1,740 million yen	
Type of specified asset			Real estate				
Trustee			-				
Trust maturity date			-				
Location	Lot number		21-46-29, Kita Ichijo Nishi, Chuo Ward, Sapporo City, Hokkaido				
	Address		21-2-1, Kita Ichijo Nishi, Chuo Ward, Sapporo City, Hokkaido				
Land	Type of ownership		Ownership				
	Land area		1,583.12 m <sup>2</sup>				
	Area classification		Commercial district				
	Building coverage ratio		80%				
	FAR		400%				
Building	Type of ownership		Ownership				
	Gross floor area		7,783.57 m <sup>2</sup>				
	Use		Apartment complex				
	Structure		Reinforced concrete building				
	Number of floors		14F				
	Date of construction		February 12, 2008				
Collateral			None				
Overview of leasing							
Leasable area		6,100.31 m <sup>2</sup>		Number of leasable units		146	
Leased area		5,724.29 m <sup>2</sup>		Annual rent		137 million yen	
Occupancy rate		93.8%		Tenant leasehold and security deposit		11,350 million yen	
Historical occupancy rate	August 2018	February 2019	August 2019		February 2020	August 2020	
	96.7%	90.7%	84.4%		93.2%	93.8%	
Master lease company				Big Co., Ltd.			
Master lease type				Pass-through type			
Property management company				Big Co., Ltd.			

Property number		Big Tower Minami Sanjo	Asset class	Residential
RE-131			Acquisition price	1,740 million yen
Type of specified asset		Trust beneficiary interest in real estate		
Trustee		Sumitomo Mitsui Trust Bank, Limited		
Trust maturity date		November 30, 2030		
Location	Lot number	2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido		
	Address	2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido		
Land	Type of ownership	Ownership		
	Land area	1,590.67 m <sup>2</sup>		
	Area classification	Commercial district		

	Building coverage ratio	80%			
	FAR	600%			
Building	Type of ownership	Ownership			
	Gross floor area	12,066.33 m <sup>2</sup>			
	Use	Apartment complex			
	Structure	Reinforced concrete building			
	Number of floors	31F with 1 basement			
	Date of construction	September 1, 2007			
Collateral		None			
Overview of leasing					
Leasable area		8,661.19 m <sup>2</sup>	Number of leasable units		179
Leased area		8,346.84 m <sup>2</sup>	Annual rent		199 million yen
Occupancy rate		96.4%	Tenant leasehold and security deposit		15,747 million yen
Historical occupancy rate	August 2018	February 2019	August 2019	February 2020	August 2020
	97.1%	94.6%	90.3%	89.9%	96.4%
Master lease company			Big Co., Ltd.		
Master lease type			Pass-through type		
Property management company			Big Co., Ltd.		

#### 4. Buyer profile

##### (1) Castalia Maruyama Urasando

i)	Name	Chushingai Building
ii)	Location	4-11, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido
iii)	Representative	Yukihiro Oda, President and Representative Director
iv)	Business activities	1. Sales of everyday sundries, foods and apparel 2. Sales of educational materials and toys 3. Leasing and management of real estate
v)	Capital	15 million yen
vi)	Foundation date	December 11, 1959
vii)	Net assets	Not disclosed (Note)
viii)	Total assets	
ix)	Major shareholder and shareholding ratio	
x)	Relationships with DHR and the Asset Manager	
	Capital relationships	There is no capital relationship requiring disclosure between DHR/the Asset Manager and the buyer.
	Personnel relationship	There is no personnel relationship requiring disclosure between DHR/the Asset Manager and the buyer.
	Business relationship	There is no business relationship requiring disclosure between DHR/the Asset Manager and the buyer.
	Status of classification as related party	The buyer is not a related party of DHR/the Asset Manager.

(Note) Not disclosed as consent for disclosure has not been obtained from the buyer.

##### (2) Castalia Maruyama Omotesando

The buyer is a domestic limited liability company. However, name, etc. is not disclosed as consent for disclosure has not been obtained from the buyer. The buyer is not an interested party of DHR and the Asset Manager or a related party of DHR and the Asset Manager.

##### (3) Big Tower Minami Sanjo

i)	Name	Mantomi Building
ii)	Location	6-4-8, Ginza, Chuo Ward, Tokyo
iii)	Representative	Nariya Oyama, Representative Director
iv)	Business activities	1. Leasing and management of real estate 2. Management of parking space 3. Sale and purchase, leasing, management and refit of aircrafts and ships, broking or intermediacy of these businesses 4. All other businesses incidental or related to the above
v)	Capital	30 million yen
vi)	Foundation date	March 29, 1945
vii)	Net assets	1,752 million yen (as of September 30, 2020)
viii)	Total assets	18,978 million yen (as of September 30, 2020)
ix)	Major shareholder and shareholding ratio	Mantomi Asset Management 100%
x)	Relationships with DHR and the Asset Manager	
	Capital relationships	There is no capital relationship requiring disclosure between DHR/the Asset Manager and the buyer.
	Personnel relationship	There is no personnel relationship requiring disclosure between DHR/the Asset Manager and the buyer.
	Business relationship	There is no business relationship requiring disclosure between DHR/the Asset Manager and the buyer.
	Status of classification as related party	The buyer is not a related party of DHR/the Asset Manager.

#### 5. Interested party transactions

None

#### 6. Disposition schedule

Property name	Disposition decision date	Execution date of the sale and purchase agreements	Date of payment and Delivery date
Castalia Maruyama Urasando	December 18, 2020	December 21, 2020 (planned)	December 21, 2020 (planned)
Castalia Maruyama Omotesando		December 22, 2020 (planned)	January 29, 2021 (planned)
Big Tower Minami Sanjo		December 21, 2020 (planned)	March 1, 2021 (planned)

#### 7. Outlook

DHR expects to record gain on sale of investment properties of 836 million yen for the fiscal period ending February 28, 2021 and 2,209 million yen for the fiscal period ending August 31, 2021 associated with the Disposition.

For the forecasts of results for the fiscal periods ending February 28, 2021 and August 31, 2021 with the Disposition factored in, please refer to the press release “Notice Concerning Revision to Forecast of Results for the Fiscal Periods Ending February 28, 2021 and August 31, 2021” separately announced today.

#### 8. Overview of property appraisal of the Anticipated Dispositions

Overview of property appraisal	
Property name	Castalia Maruyama Urasando
Appraisal value	511 million yen
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal date	August 31, 2020

Item	Content	Basis
Value based on income method	511 million yen	Estimated value based on income method by using value

		based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	512 million yen	
Operating revenue	39 million yen	
Effective gross revenue	42 million yen	Assessed the market rent level of the property through comparison with rent levels of other leasing cases, etc.
Loss from vacancy	2 million yen	Assessed considering the average turnover period, period without revenue during tenant solicitation, etc.
Operating expense	12 million yen	
Maintenance	1 million yen	Based on the building maintenance and management contract, etc.
Utility cost	1 million yen	Based on the property management report, etc.
Repair	2 million yen	Assessed by splitting the figure based on the engineering report and similar cases in 3 (repair):7 (capex) ratio.
Property management Fee	1 million yen	Based on the property management contract.
Advertisement and other leasing cost	1 million yen	Assumed 25% annual tenant replacement.
Tax	3 million yen	Recorded based on the actual results for 2020.
Insurance	0 million yen	Recorded based on past results, etc.
Other cost	0 million yen	Based on the property management report, etc.
Net operating income (NOI)	27 million yen	
Investment income of lump sum	0 million yen	Assessed with the investment yield set at 1.0%
Capital expenditure	3 million yen	Assessed by splitting the figure based on the engineering report and similar cases in 3 (repair):7 (capex) ratio.
Net cash flow (NCF)	24 million yen	
Cap rate	4.7%	Assessed by comparing with the multiple transaction yields in the neighboring areas or the similar areas of the same supply and demand.
Value based on Discounted Cash Flow method	510 million yen	
Discount rate	4.7%	Assessed by reflecting specific risks related to the property in the base yield.
Terminal cap rate	4.9%	Assessed on the basis of capitalization rate taking into consideration of future prediction uncertainty.
Value based on cost method	485 million yen	
Proportion of land	49.5%	
Proportion of building	50.5%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

Overview of property appraisal	
Property name	Castalia Maruyama Omoteando
Appraisal value	2,000 million yen
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal date	August 31, 2020

Item	Content	Basis
Value based on income method	2,000 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	2,010 million yen	
Operating revenue	147 million yen	
Effective gross revenue	158 million yen	Assessed the market rent level of the property through

			comparison with rent levels of other leasing cases, etc.
	Loss from vacancy	10 million yen	Assessed considering the average turnover period, period without revenue during tenant solicitation, etc.
	Operating expense	43 million yen	
	Maintenance	5 million yen	Based on the building maintenance and management contract, etc.
	Utility cost	3 million yen	Based on the property management report, etc.
	Repair	9 million yen	Assessed by splitting the figure based on the engineering report and similar cases in 3 (repair):7 (capex) ratio.
	Property management Fee	4 million yen	Based on the property management contract.
	Advertisement and other leasing cost	4 million yen	Assumed 25% annual tenant replacement.
	Tax	14 million yen	Recorded based on the actual results for 2020.
	Insurance	0 million yen	Recorded based on past results, etc.
	Other cost	1 million yen	Based on the property management report, etc.
	Net operating income (NOI)	104 million yen	
	Investment income of lump sum	0 million yen	Assessed with the investment yield set at 1.0%
	Capital expenditure	10 million yen	Assessed by splitting the figure based on the engineering report and similar cases in 3 (repair):7 (capex) ratio.
	Net cash flow (NCF)	94 million yen	
	Cap rate	4.7%	Assessed by comparing with the multiple transaction yields in the neighboring areas or the similar areas of the same supply and demand.
	Value based on Discounted Cash Flow method	2,000 million yen	
	Discount rate	4.7%	Assessed by reflecting specific risks related to the property in the base yield.
	Terminal cap rate	4.9%	Assessed on the basis of capitalization rate taking into consideration of future prediction uncertainty.
	Value based on cost method	2,100 million yen	
	Proportion of land	53.0%	
	Proportion of building	47.0%	
	Items applied to adjustments in valuation approach and the determination of the appraisal value		None

Overview of property appraisal	
Property name	Big Tower Minami Sanjo
Appraisal value	2,760 million yen
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal date	August 31, 2020

Item	Content	Basis
Value based on income method	2,760 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	2,760 million yen	
Operating revenue	209 million yen	
Effective gross revenue	227 million yen	Assessed standardized room rent revenue and common area charges of the property based on the current rent, new rent level of similar properties with the same supply and demand and its trend, in consideration of the mid-to-long term competitiveness of the property.



Loss from vacancy	17 million yen	Recorded based on the past vacancy ratio and the standard vacancy ratio of the similar properties in consideration of the competitiveness of the property.
Operating expense	61 million yen	
Maintenance	9 million yen	Based on the current contract amount.
Utility cost	4 million yen	Assessed in reference to the past results.
Repair	9 million yen	Assessed based on 12-year average repair costs in the engineering report.
Property management Fee	6 million yen	Based on the current contract amount.
Advertisement and other leasing cost	9 million yen	Assumed leasing costs worth two months' rent for new tenants in reference to the leasing costs of similar properties.
Tax	19 million yen	Recorded based on the actual results for 2020 in consideration of burden level and land price trend.
Insurance	0 million yen	Recorded based on the recent results
Other cost	2 million yen	Assumed 0.6% of operating revenue as other operation costs. Recorded local community fee and internet usage fee based on the results.
Net operating income (NOI)	148 million yen	
Investment income of lump sum	0 million yen	Assessed with the investment yield set at 1.0%
Capital expenditure	13 million yen	Assessed based on the 12-year average renewal charges in the engineering report in consideration of the construction management fee.
Net cash flow (NCF)	135 million yen	
Cap rate	4.9%	Assessed by adjusting yields in similar types with spreads attributable to the property's location, the characteristics of the building and conditions, additionally in consideration of cap rate of appraisal value for J-REIT properties in similar areas of the same supply and demand
Value based on Discounted Cash Flow method	2,760 million yen	
Discount rate	4.7%	Assessed by comparing with cases of similar real estate transactions and adding individuality of real estate to yield of financial assets
Terminal cap rate	5.1%	Assessed based on capitalization rate, comprehensively taking into account future uncertainties.
Value based on cost method	2,850 million yen	
Proportion of land	35.8%	
Proportion of building	64.2%	
Items applied to adjustments in valuation approach and the determination of the appraisal value	None	

\* DHR's website: <https://www.daiwahouse-reit.co.jp/en/>

<Attachment>

Portfolio status after the Disposition

Asset class	Number of properties	Acquisition price (million yen)	Investment ratio (Note)
Logistics properties	62 properties	406,241	49.6%
Residential properties	130 properties	242,533	29.6%
Retail properties	23 properties	123,219	15.1%
Hotel properties	5 properties	19,110	2.3%
Other assets	6 properties	27,260	3.3%
Portfolio Total	226 properties	818,363	100.0%

(Note) Investment ratio indicates the ratio of the acquisition price for each asset to the total acquisition price, rounded to the nearest tenth.