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For Immediate Release

Advance Residence Investment Corporation
Securities Code: 3269
1-105 Kanda-Jinbocho, Chiyoda-ku, Tokyo
Wataru Higuchi, Executive Director

Asset Management Company:
AD Investment Management Co., Ltd.
Takeshi Takano, President
Inquiries:
Isao Kudo, Director
TEL. +81-3-3518-0480

Notice Concerning Acquisition of Investment Asset (RESIDIA Bunkyo-Koishikawa)

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, for steady increase in asset size, and diversification and enhancement of the portfolio.

Name of The Asset-To-Be-Acquired ^(Note 1) (Assets)	RESIDIA Bunkyo-Koishikawa (Real Estate)
Proposed Acquisition Price (Price / Appraisal Ratio) ^(Note 2)	694 million yen (83.7%)
Real Estate Appraisal Value ^(Note 3)	830 million yen
NOI Yield ^(Note 4)	4.4%
Yield after Depreciation ^(Note 5)	3.9%
Building Age ^(Note 6)	3.9 years
Seller	Not disclosed
Scheduled Contract Date	December 23, 2021
Scheduled Acquisition Date	February 1, 2022 or a date to be separately agreed upon with the seller
Acquisition Financing (Payment Method)	Borrowings (full payment on delivery)
Collateral	None

(Note 1) The names of the assets-to-be-acquired are scheduled to be changed after acquisition by ADR, and the names after the change are stated. As of the date of this document, the asset’s name is “Estageo Koishikawa”.

(Note 2) “Proposed Acquisition Price” refers to the purchase price written in the real estate transaction agreements for the asset-to-be-acquired and does not include various expenses needed for the acquisition such as taxes and public dues.

(Note 3) “Appraisal Value” of the assets-to-be-acquired are as of November 1, 2021.

(Note 4) “NOI Yield” is calculated as follows: annualized NOI written in the appraisal document at the time of the acquisition of the assets-to-be acquired and calculated using direct capitalization method / proposed acquisition price x 100. The calculated yield is rounded to the second decimal point.

(Note 5) “Yield after Depreciation” is calculated as follows: (annualized NOI written in the appraisal document at the time of the acquisition of the asset-to-be-acquired and calculated using direct capitalization method – annual depreciation cost) / proposed acquisition price x 100. The calculated yield is rounded to the second decimal point. As is the case with the existing portfolio of ADR, the depreciation costs of the assets-to-be-acquired is calculated using the straight-line method under certain assumptions and estimated at 3,717 thousand yen a year.

(Note 6) “Building Age” is the age of the building as of the date of this document and is rounded to the second decimal point.

A tough real estate market continues for buyers due to a limited new supply of high-quality residential rental properties in good locations, and the continuing elevated prices of centrally located properties in major cities which can attract a stable rental demand.

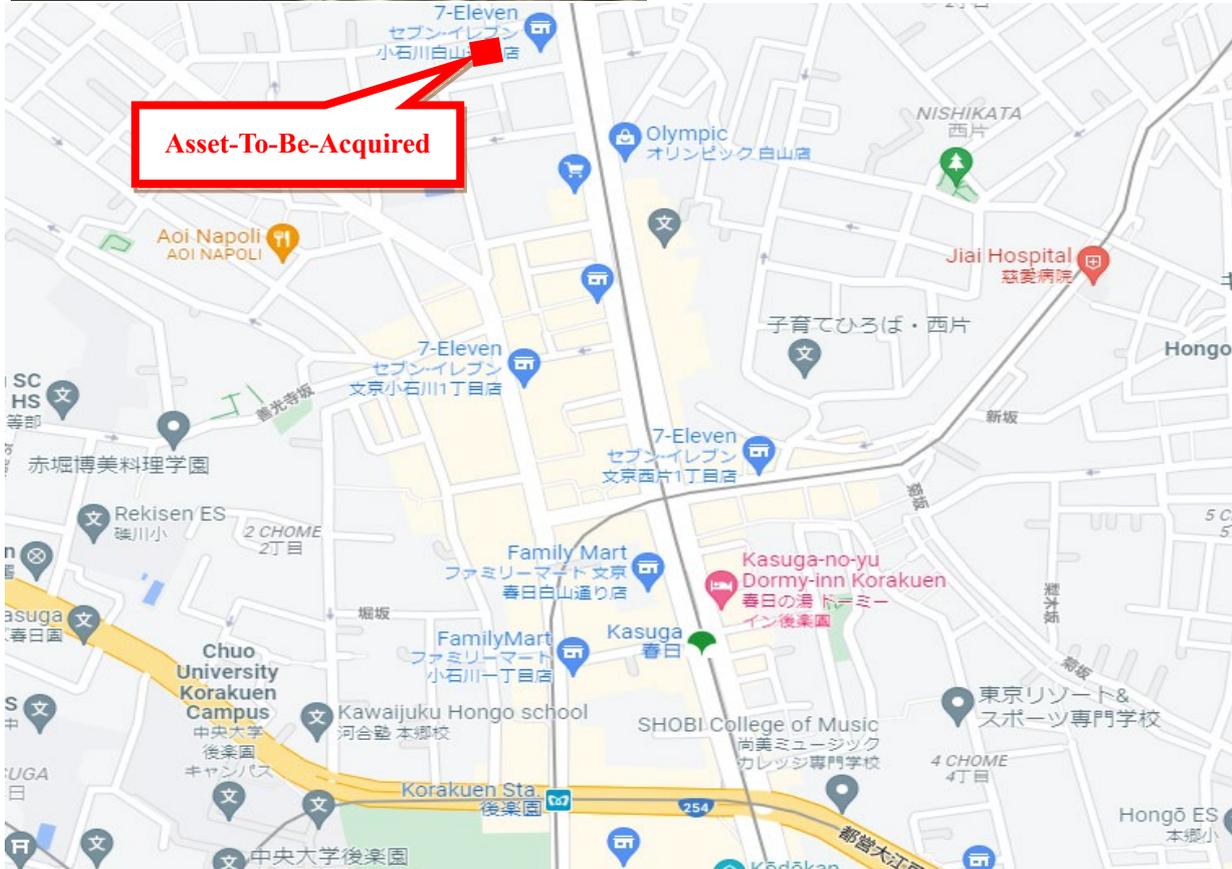
In this environment, we have decided to acquire this residential rental property in Bunkyo-ku, Tokyo at an acquisition price equivalent to 83.7% of the appraisal value and NOI yield of 4.4%.

On acquiring this property, ADR has highly rated the following attributes of the property:

- Central metropolitan location within seven-minute walk from Toei Mita line subway's "Kasuga" station, providing convenient access to major terminal stations.
- Relatively new building completed in February 2018 (building age of 3.9 years).
- Many essential and convenient facilities around the property. Demand is expected from people working at government offices, universities, and hospitals, as well as singles and DINKs commuting to the Otemachi area.

[Photos and Map]

T-178 RESIDIA Bunkyo-Koishikawa



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

Property Number	T-178
Name of the Asset-to-be-Acquired	RESIDIA Bunkyo-Koishikawa
Address	1-28-14 Koishikawa, Bunkyo-ku, Tokyo 112-0002
Land	
Type of Ownership	Proprietary ownership
Site Area	208.80m ²
Zoning	Quasi-industrial district
FAR / Building Coverage Ratio	300% / 60%
Building	
Type of Ownership	Proprietary ownership
Total Floor Space	779.18m ²
Structure / Floors	Reinforced concrete with flat roof / 6 floors with one basement floor
Application	Multi-family housing
Construction Completion Date	February 2018
Building Inspector	Japan Constructive Inspect Association (JCIA)
Building Designer	Bell Planning Co., Ltd. First-class Architect Office
Structural Engineer	SPAN Design Ltd.
Construction Contractor	Usami Gumi Co., Ltd.
Trustee	-
Trust Contract Period	-
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 dR Co., Ltd.
Investigation Date	November 4, 2021
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	8,219 thousand yen
Building Replacement Price	174 million yen
Earthquake PML	7.3%
Lease Conditions	
Point in Time	as of November 30, 2021
Total Tenants	1
Leasable Units	19
Leased Units	18
Leasable Floor Area	683.04m ²
Leased Area	660.41m ²
Occupancy Rate (based on floor area)	96.69%
Monthly Rent	2,616 thousand yen
Deposits, Guarantees, etc.	2,983 thousand yen
Number of Units by Type	
Single	9
Compact	7
Family	3
Large	0
Dormitory	0
Others	0
Special Notation	
	None

Please refer to “Notes and definitions on items in the tables in the press releases for asset acquisition” on ADR’s website for details on items in the above table.
(https://www.adr-reit.com/src/financial/notice_aquisition_e.pdf)

3. Appraisal Report Summary

T-178 RESIDIA Bunkyo-Koishikawa

Price as of November 1, 2021

Appraiser	Japan Real Estate Institute		Appraised value	830,000 thousand yen
Appraisal Items		Appraised Value (thousands of yen)	Basis	
Income Capitalization Approach Value		830,000	Income capitalization approach value was appraised using both DCF and direct capitalization method.	
Direct Capitalization Price		839,000		
Total Potential Income		38,715		
Rent Income		36,570	Estimated the level of medium- to long-term stable rent that can be received based on the assumed rent when newly rented and the attributes of existing tenants, etc.	
Other Income		2,145	Based on average tenant turnover and average contract period.	
Total Effective Income		37,180		
Losses from Vacancies, etc.		1,535	Based on medium- to- long-term occupancy rate level based on occupancy status and supply and demand trends for similar real estate, and past occupancy status and future trends of the target real estate.	
Losses from Delinquencies		0	Deemed unnecessary considering the status of tenants, etc.	
Expenses from Rental Business		6,527		
Maintenance and Management Fees		1,150	Based on the uniqueness of the property, with reference to the past fiscal years' figures and similar properties.	
Utility Costs		250	Based on the uniqueness of the property, with reference to the past fiscal years' figures and similar properties.	
Management Commission Fees		1,053	Considers the remuneration rate for similar real estate and the uniqueness of the property, with reference to the remuneration rate based on contract conditions.	
Taxes and Public Dues		1,871	Based on materials related to taxes and public dues.	
Non-life Insurance Premiums		44	Insurance premium based on the insurance policy and the level at similar properties.	
Leasing Expenses		1,557	Considers tenant solicitation costs required for new tenants, average annual turnover ratio and occupancy rate, with reference to contract conditions and lease conditions for similar real estate.	
Repairs Costs		454	Based on the cost of restoration to original state assuming normal levels of restoration costs and costs allocated to tenants, etc., and also considering level at similar properties and annual average amount of repair costs in engineering report, etc.	
Other Expenses		148	Recorded costs for use of internet.	
Net Operating Income		30,653		
Earnings from Deposits		28	Estimated by applying the assumed 1% investment return to the amount calculated by applying the occupancy rate to the medium- to long-term stable number of months for deposits.	
Capital Expenditures		480	Estimated by considering the level of capital expenditure at similar properties, age of building, and annual average of restoration expense listed on the engineering report.	
Net Cash Flow DCF Price		30,201		
Cap Rate		3.6%	Estimated by adding the yield spread determined by locality, specification, and other conditions of the target building to the base yield for the district and considering the future uncertainties and actual cap rates in deals for similar properties.	
DCF Price		820,000		
Discount Rate		3.3%	Estimated by comprehensively considering the uniqueness of the target property, with reference to investment returns for similar properties, etc.	
Terminal Cap Rate		3.7%	Estimated after comprehensively considering future trends in investment yields, risks involving the target property as investment, general forecast for future economic growth rates, and real estate price and rent trends, etc., and referencing actual cap rates for similar properties.	
Cost Approach Value		799,000		
Land Ratio		78.1%		
Building Ratio		21.9%		
Other Matters of Consideration				
None				

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

The real estate sales transaction agreement (hereafter, “the Agreement”) for the asset-to-be-acquired constitutes 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 transaction price of the asset-to-be-acquired as penalty.

However, ADR shall not be obliged to pay penalties to the seller regarding the expiration or cancellation of this Agreement, except where ADR is at fault.

(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.

5. Seller Profile

The seller is a domestic stock company whose details are not disclosed according to their wishes. It does not constitute parties 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 has been examined by a third-party inspector. 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 dR Co., Ltd.
Head Office Location	1-5-1 Otemachi, Chiyoda-ku, Tokyo
Representative	Taizo Shimakura, President and Chief Executive Officer
Capital	100 million yen
Large Shareholder	Tokio Marine Holdings, Inc.
Principal Business	1. Examination, research, provision of information, diagnosis, consulting, seminars, publications, and training on safety, disaster prevention, health, product safety, and information management, etc. 2. Contracting of corporate and other business and administration related to safety, disaster prevention, health, environment, product safety, and information management. 3. Design, implementation, and supervision of construction work, civil engineering work, equipment installation, soil contamination removal work, etc. 4. Market data gathering and analysis, risk measurement, due diligence including corporate value calculation, etc.
Relationship with ADR or ADIM	None



8. Broker Profile

Omitted. The broker does not have special interest with ADR or ADIM.

9. Outlook

The effect of the Acquisition on the management performance forecasts for fiscal periods ending July 2022 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 270 rental apartments located mostly in central Tokyo and in other major cities throughout Japan (AUM over 460 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/>