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**For Immediate Release**

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Notice Concerning Acquisition of Investment Asset  
<<RESIDIA Sakae>>

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 asset (hereafter, the “Acquisition”) in Japan 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.

Property number	Name of the to-be-acquired asset <sup>(Note 1)</sup>	Type of asset	Proposed acquisition price <sup>(Note 2)</sup>
R-71	RESIDIA Sakae (GRACE GARDEN Sakae EAST)	Real Estate	868,800,000 yen

(Note 1) ADR is scheduled to change the name of the property to what is listed above after the acquisition. 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 concerned property (taxes and public dues, etc.)

In the recent booming real estate market, we are witnessing increased number and types of players. This has amplified the continued difficulty in acquiring assets. The difficulty is especially acute for properties that have been recently built, located in the major regional city, and have a yield that will contribute in improving the existing ADR's portfolio yield. This is also because supply of newly developed rental residential properties has not been enough to alleviate the shortage.

Under such an environment, by using ADIM's own sourcing network ADR has succeeded in acquiring the property located in the investment area category of "Major Regional Cities."

The property has a yield after depreciation of 4.6%<sup>(Note 3)</sup>, which is higher than the average of 4.5% for the existing properties in the portfolio. Combined with the younger average age compared to the existing properties in the portfolio, we believe that the acquisition will benefit unitholders' value. Additionally, we will be acquiring the property at around 9.2%<sup>(Note 3)</sup> discount to the appraisal value.

(Note3) The yield after depreciation of the to-be-acquired asset is calculated by dividing the total annualized appraisal NOI at acquisition minus total depreciation, by the acquisition price. Depreciation of the to-be-acquired asset is calculated using same straight-line method as the portfolio and expect depreciation of 9,480 thousand yen per annum. The yield after depreciation for the existing portfolio at the end of July 2015 is calculated by dividing the total annualized actual NOI minus total depreciation of each portfolio property by the total fiscal-end book value. Both figures are rounded at the second decimal point.

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

- \* It is a 8-minute walk from the property to Meijo Line Yaba-cho Station having good access to business and commercial centers.
- \* There are many convenient facilities nearby such as corner stores, supermarkets and banks.
- \* The housing unit plans for the property are mostly 1R. Demand can be expected from young single professionals commuting to business centers.

## 2. Acquisition Summary

Name of property	RESIDIA Sakae
Asset to be acquired	Real Estate
Proposed acquisition price	868,800,000 yen
Real estate appraised value	957,000,000 yen
Current titleholder	Not disclosed
Scheduled agreement date	January 21, 2016
Scheduled acquisition date	January 22, 2016
Acquisition financing	Cash on hand
Payment method	Pay entire amount upon delivery
Collateral	Not Scheduled

### 3. Summary of the To-Be-Acquired Asset

Property number	R-71
Name of the to-be-acquired asset	RESIDIA Sakae
Address	5-7-16 Sakae, Naka-ku, Nagoya-city, Aichi

Land	
Type of ownership	Proprietary ownership
Site area	391.83 m <sup>2</sup>
Zoning	Commercial zone
FAR / Building coverage ratio	500% / 80%

Building	
Type of ownership	Proprietary ownership
Total floor area	2,226.62 m <sup>2</sup>
Structure / Floors	RC with flat roof, 12F
Use	Apartment
Construction completion date	December, 2007
Confirmation inspection agency	Kakunin Service Inc.
Building designer	glanz-home Co., Ltd.
Structural designer	S&D Architect Planning
Construction contractor	Oota Construction K.K.

Trsutee	-
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	October 15, 2015
Emergency repair costs	-
Short-term repair costs (within 1 year)	-
Long-term repair costs (next 12 years)	¥ 33,095 thousand
Building replacement price	¥ 536,000 thousand

Earthquake PML	4.2%
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Lease Conditions	
Point in time	as of December 28, 2015
Total Tenants	1
Leasable units	77
Leased units	71
Leasable floor area	1,805.98 m <sup>2</sup>
Leased floor area	1,665.26 m <sup>2</sup>
Occupancy rate (based on floor area)	92.2%
Monthly rent (including common service charges)	¥ 4,813 thousand
Deposits, guarantees, etc.	¥ 4,672 thousand

Breakdown of residential unit type	
Single	77
Compact	-
Family	-
Large	-
Dormitory	-
Other	-

Special Notation	None
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\*Please refer to “Notes and definitions on items on the tables in the press releases for asset acquisition” on ADR’s website as detail of lists above. (<http://www.adr-reit.com/en/financial/>)

4. Summary of the appraisal report (Monetary unit: ¥ thousand)

Name of property	RESIDIA Sakae	Real estate appraised date	November 1, 2015
Real estate Appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.	Real estate appraised value	957,000,000 yen
Appraisal item	Appraised value	Basis	
Income Capitalization Approach value	957,000	Income capitalization approach value was appraised using both DCF method and direct capitalization method.	
Direct capitalization price	968,000		
Total potential profit	66,729		
Rent income	65,546	Estimation of mid to long-term stabilized rent from leasable units and parking spaces.	
Other income	1,182	Income from key money and vending machine fee.	
Total effective profit	63,952		
Losses from vacancies, etc.	2,777	Estimated using standard vacancy rate but adjusted for specific characteristics of the property.	
Bad debts losses	0	No losses was assumed due to deposits, guarantees.	
Expenses from rental business	14,502		
Maintenance and management fees	1,944	Estimated by referring to the cost of comparable property and current cost.	
Utilities costs	983	Estimated by referring to the cost of comparable property and current cost.	
Management commission fees	1,884	Estimated by referring to the planned contract terms, assuming the PM fee on comparable property.	
Taxes and public dues	4,100	Estimated using 2015 tax base.	
Non-life insurance premiums	125	Estimated by referring to premium estimate and premiums for comparable properties.	
Leasing Expenses	1,691	Estimated by referring to the replacement cost of comparable property, assuming vacancy rate and current cost.	
Repair costs (including restoration fees)	1,579	Estimated from engineering report and replacement cost, assuming replacement and vacancy rate.	
Other expenses	2,192	CATV, distant place parking fee and renewal costs.	
Net Operating Income	49,449		
Operating profit from deposits	94	Assuming 2% per annum yield on deposits.	
Capital expenditures	2,096	Estimated by referring to the level of capital expenditures in comparable properties and annual average of restoration expense listed on the engineering report.	
Net Cash Flow	47,447		
Cap rate	4.9%	Estimated by taking account of locality and specific feature of the property on the base rate, referring to cap rate of appraisal reports of other J-REIT assets in the same area.	
DCF Price	952,000		
Discount rate	4.7%	Estimated by referring to discount rate in dealing comparable property and yields of other financial products.	
Terminal cap rate	5.1%	Estimated by referring to the marketability at the end of DCF term.	
Cost approach value	951,000		
Land ratio	53.0%		
Building ratio	47.0%		
Other matters of consideration			
None			

## 5. Seller Profile

The seller of the property is a domestic company whose name and detail are not disclosed according to their wishes. The seller does not constitute parties having particular vested interest in ADR or ADIM.

## 6. Property Titleholders

Details are omitted because the transaction is not with a party having particular vested interest.

## 7. Matters Concerning Earthquake Resistance

Of 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 inspection results 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 the law.

Trade name	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Head office location	1-5-1 Otemachi, Chiyoda-ku, Tokyo
Representative	Nariki Yasuda, President and Representative Director
Capital	100 million yen
Large shareholders	Tokio Marine Holdings, Inc.
Principal business	<ol style="list-style-type: none"> <li>1. Investigation, research and consulting on safety, disaster prevention, hygiene, product liability and information security</li> <li>2. Acting safety, disaster prevention, hygiene, product liability and information security for companies</li> <li>3. Plan, execution and supervision of construction or removing polluted soil</li> <li>4. Gathering and analysis on market information, measure of risks, due diligence of company value</li> </ol>
Relationship with ADR or ADIM	None

## 8. Broker Profile

Trade name	Tokyu Livable, Inc.
Head office location	1-9-5 Dogenzaka, Shibuya-ku, Tokyo
Representative	Shinji Sakaki, President and Representative Director
Capital	1,396,300,000 yen
Commission	The broker wishes not to disclose the commission
Relationship with ADR or ADIM	None

## 9. Future Outlook

The effect on the management performance forecast ending January 2016 and that ending July 2016 announced on September 8, 2015 will be negligible. Therefore the forecast remains unchanged.

<Attachments>

[Supplementary Materials]

1. Supplementary Materials on 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]

1. Photo of the To-Be-Acquired Asset

- \* The original Japanese version of this material is released today to the Kabuto Club (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications.
- \* 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.*

[Supplementary Materials]

(1) Supplementary Materials on To-Be-Acquired Asset

■ To-Be-Acquired Asset

Property	Building age (Note1)	NOI Yield (Note2)	Yield after depreciation (Note3)
RESIDIA Sakae	8.1 year	5.7%	4.6%

(Note1) Building age is calculated as of the scheduled acquisition date and rounded at the second decimal point.

(Note2) The “NOI Yield” are calculated using the figures in the acquisition appraisal of to-be-acquired assets. The calculation are as follows; “Total annualized NOI ÷ Total acquisition price × 100”. The calculated yields are rounded at the second decimal point.

(Note3) The “Yield after depreciation” is calculated using the figures in the acquisition appraisal of to-be-acquired asset. 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 to-be-acquired asset is calculated using same straight-line method as the portfolio and expect depreciation of 9,480 thousand yen per annum.

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

	Acquired assets (including the to-be-acquired assets)	Disposed assets
Number of properties	105	42
Total acquisition price	¥148,633 million	¥68,725 million
Total deal value (a)	¥148,633 million	¥63,356 million
Appraisal (b)	¥160,175 million	¥61,122 million (note 1)
Ratio (a) ÷ (b) × 100%	92.8%	103.7%
Weighted average NOI yield	5.9% (note 2)	4.6% (note 3)
Weighted average building age (Note 4)	5.0 year	13.1 year

(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	754	-3	-41	-170	0	-2	538
Tokyo 23 Wards Exclusive of Central 7 Wards	1,634	661	418	13	0	10	2,736
Tokyo 23 Wards	2,388	658	377	-157	0	8	3,274
Tokyo Metropolitan Area	398	10	-72	0	-748	1	-411
Major Regional Cities	1,809	1,006	263	55	0	0	3,133
Other Regions	2,207	1,016	191	55	-748	1	2,722
Total	4,595	1,674	568	-102	-748	9	5,996

### ■ Status of the Portfolio After the Replacements (including the to-be-acquired asset)

Asset size (based on acquisition price)	425.8 billion yen
No. of properties	251 properties
No. of leasable units	20,232 units
Total leasable floor area	760,506.21 m <sup>2</sup>

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	169.1 billion yen	39.7 %
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	133.4 billion yen	31.3 %
Tokyo 23 Wards	302.5 billion yen	71.1 %
S (Tokyo Metropolitan Area)	41.2 billion yen	9.7 %
R (Major Regional Cities)	82.0 billion yen	19.3 %
Other Regions	123.2 billion yen	28.9 %
Total	425.8 billion yen	100.0 %

[Reference Material]

Photos of the To-Be-Acquired Asset

R-71) RESIDIA Sakae

