

April 13, 2018

**For Immediate Release**

Advance Residence Investment Corporation  
(Securities Code: 3269)

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Notice Concerning Acquisition of Investment Asset  
(RESIDIA Funabashi IV)

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 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 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 Property <sup>(Note 1)</sup>	Type of Asset	Proposed Acquisition Price <sup>(Note 2)</sup>
S-34	RESIDIA Funabashi IV (AS Premium Minato-cho)	Beneficiary Interests in Trust	567,500 thousand yen

(Note 1) The name of the property is scheduled to be changed after the acquisition is completed to the name listed above. 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 property (taxes and public dues, etc).

The real estate acquisition market continues to be very competitive. The competition is especially acute in markets for centrally located properties in major cities with a stable yield that will contribute in improving the yield of ADR’s existing portfolio. This is because the supply of newly developed rental residential properties have not been enough to alleviate the shortage.

Under such an environment, ADR has succeeded in acquiring a scarce property for singles located in Tokyo Metropolitan 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 9-minute walk from Keisei Main Line Funabashi Station, 11-minute walk from JR Sobu Line Funabashi Station, and it takes about 27 minutes to Tokyo Station. The property has good access to Narita International Airport.
- There are many daily-life facilities such as convenience stores, super markets and restaurants nearby. The property can expect demands from singles and commuters of Narita International Airport.

## 2. Acquisition Summary

Name of Property	RESIDIA Funabashi IV
Asset To Be Acquired	Beneficiary Interests in Trust
Proposed Acquisition Price	567,500 thousand yen
Real Estate Appraised Value	593,000 thousand yen
Current Titleholder	Not disclosed
Scheduled Contract Date	April 13, 2018
Scheduled Acquisition Date	April 27, 2018
Acquisition Financing	Cash-on-hand
Payment Method	Full payment on delivery
Collateral	None

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

Property Number	S-34
Name of The Asset-To-Be-Acquired	RESIDIA Funabashi IV
Address	2-12-28 Minato-cho. Funabashi-city, Chiba prefecture

Land	
Type of Ownership	Proprietary ownership
Site Area	307.72m <sup>2</sup>
Zoning	Commercial zone
FAR / Building Coverage Ratio	400% / 80%

Building	
Type of Ownership	Proprietary ownership
Total Floor Area	1,096.28 m <sup>2</sup>
Structure / Floors	Reinforced concrete with flat roof / 10 floors
Use	Multi-family housing
Construction Completion Date	October, 2008
Building Inspector	J ARCHITECTURE INSPECTION CENTER
Building Designer	Muramoto Corporation Architect Office
Structural Engineer	Muramoto Corporation Architect Office
Construction Contractor	Muramoto Corporation Tokyo Branch

Trustee	Sumitomo Mitsui Trust Banking Corporation (Planned)
Trust Contract Period	Unfixed
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	February 20, 2018
Emergency Repair Costs	-
Short-term Repair Costs (within 1 year)	-
Long-term Repair Costs (next 12 years)	¥ 16,751 thousand
Building Replacement Price	¥ 234,000 thousand

Earthquake PML	5.2%
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Lease Conditions	
Point in Time	as of February 28, 2018
Total Tenants	1
Leasable Units	43
Leased Units	43
Leasable Floor Area	903.65 m <sup>2</sup>
Leased Floor Area	903.65 m <sup>2</sup>
Occupancy Rate (based on floor area)	100 %
Monthly Rent (including common service charges)	¥ 2,907 thousand
Deposits, Guarantees, etc.	¥ 2,609 thousand

Breakdown of Residential Unit Type	
Single	43
Compact	0
Family	0
Large	0
Dormitory	0
Other	0

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 for details on items on the above table (<http://www.adr-reit.com/en/financial/>).

#### 4. Summary of Appraisal Report (monetary unit: thousand yen)

Name of Property	RESIDIA Funabashi IV	Appraisal Date	March 1, 2018
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.	Appraisal Value	593,000 thousand yen
Appraisal Items	Appraised Value	Basis	
Income Capitalization Approach Value	593,000	Income capitalization value is estimated using DCF method along with direct capitalization method for verification.	
Direct Capitalization Price	602,000		
Total Potential Income	38,281		
Rent Income	36,688	Estimated from average rent based on the current lease agreement and from rent and common expense revenue if newly leased.	
Other Income	1,592	Key money and other income estimated from past income statements.	
Total Effective Income	36,756		
Losses from Vacancies, etc.	1,525	Referred to similar properties to estimate the medium to long-term stabilized vacancy rate.	
Losses from Delinquencies	0	Secured by deposit, no losses are assumed.	
Expenses from Rental Business	8,053		
Maintenance and Management Fees	1,500	Estimated by referring to similar properties.	
Utilities Costs	655	Estimated by referring to past income statements and similar properties.	
Management Commission Fees	1,092	Estimated by referring to similar properties.	
Taxes and Public Dues	2,504	Estimated based on property tax evaluation certificate and other documents	
Non-life Insurance Premiums	56	Estimated based on the insurance premium for the property.	
Leasing Expenses	1,056	Assumed brokerage fees, advertisement expenses for new tenants, tenant renewals fees and other leasing expenses.	
Repair Costs	893	Estimated by referring to engineering reports, building age and similar examples cost of restoration to original state and other costs (including construction management fees).	
Other Expenses	296	Estimated by referring to past income statements.	
Net Operating Income	28,702		
Earnings from Deposits	27	Assumed 1% per annum, by taking into consideration both investment yield and financing cost.	
Capital Expenditures	1,027	Estimated by referring to engineering reports, building age and similar cases (expenditure includes construction management fees).	
Net Cash Flow DCF Price	27,702		
Cap Rate	4.6%	The cap rate is estimated by adding the yield spread determined by locality, specifications and age of the building to the base yield as well as referring to actual cap rates in deals for similar properties.	
DCF Price	589,000		
Discount Rate	4.4%	Assumed a holding period of ten years. The discount rate is estimated by adding a premium for the individual risks assumed for the property.	
Terminal Cap Rate	4.8%	Added a premium on future risks.	
Cost Approach Value	517,000		
Land Ratio	65.3%		
Building Ratio	34.7%		
Other Matters of Consideration			
None			

## 5. Seller Profile

The seller of the property is a domestic special purpose company whose name and details are not disclosed according to their wishes. The seller does not constitute a party 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 on the asset-to-be-acquired has been examined by a third-party inspector. ADR has obtained the following 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.

## 8. Broker Profile

The broker of the property is a domestic real estate company whose name and details are not disclosed according to their wishes. The broker does not constitute a party having particular vested interest in ADR or ADIM.

## 9. Future Outlook

The effect of the Acquisition on the management performance forecasts for fiscal periods ending July 2018 and January 2019 is negligible. Therefore, the forecasts remain unchanged.

<Attachments>

[Supplementary Materials]

1. Supplementary Materials on Asset-To-Be-Acquired
2. Status of the Portfolio After the Acquisition

[Reference Materials]

Photo and Map of the Asset-To-Be-Acquired

\* 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 the Asset-To-Be-Acquired

Property	Acquisition Price (thousand)	Building Age (Note1)	NOI Yield (Note2)	Yield after Depreciation (Note3)	The Reason for the Acquisition
RESIDIA Funabashi IV	¥ 567,500	9.5 year	5.1 %	4.2 %	The long-term stable profitability is expected because of the younger age than weighted average of our portfolio and the track record of our existing properties in the same area.

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

(Note2) 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.

(Note3) 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 asset is calculated using same straight-line method as the portfolio and expect depreciation of 4,829 thousand yen per annum.

2. Status of the Portfolio After the Acquisition

Asset Size (based on acquisition price)	447.0 billion yen
No. of Properties	262 properties
No. of Leasable Units	21,165 units
Total Leasable Floor Area	787,567.28 m <sup>2</sup>

Area Diversification	Acquisition Price	Share of Investment
P (Tokyo Central 7 Wards)	169.5 billion yen	37.9%
C (Tokyo 23 Wards Exclusive of Central 7 Wards)	149.6 billion yen	33.5%
Tokyo 23 Wards	319.2 billion yen	71.4%
S (Tokyo Metropolitan Area)	41.5 billion yen	9.3%
R (Major Regional Cities)	86.2 billion yen	19.3%
Other Regions	127.8billion yen	28.6%
Total	447.0billion yen	100.0%

[Reference Material]

Photos and Map of the Asset-To-Be-Acquired

S-34 ) RESIDIA Funabashi IV

Photo of the Asset-To-Be-Acquired



Map of the Asset-To-Be-Acquired

