

June 22, 2023

To All Concerned Parties

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Notice Concerning Acquisition of Asset (Partir Watanabedori)

Daiwa Securities Living Investment Corporation (hereinafter referred to as the “Investment Corporation”) hereby announces that Daiwa Real Estate Asset Management Co. Ltd. (hereinafter referred to as the “Asset Manager”), the asset manager of the Investment Corporation, has resolved to acquire the asset (hereafter the “Asset to Be Acquired”) described below.

I. General Outline of the Acquisition

A general outline of the Asset to Be Acquired is detailed in the table below. As of June 22, 2023, the Investment Corporation has concluded real estate purchase agreements with the seller for the Asset to Be Acquired, which is scheduled for acquisition on July 3, 2023.

Name of property	Location	Property type (Note 1)	Anticipated acquisition price (A) (JPY thousand) (Note 2) (Note 3)	Appraisal value (B) (JPY thousand) (Note 3)	Difference between anticipated acquisition price and appraisal value (B)-(A) (JPY thousand) ((A)/(B)) (Note 3)	Seller
Partir Watanabedori (Note 4)	Fukuoka-city, Fukuoka	Residence (Studio)	668,346	726,000	57,653 (92.1%)	UNITED REALTY inc.

(Note 1) “Studio type” refers to residences in the 1R, 1K, 1DK, and 1LDK layouts. “Family type” refers to residences in the 2K, 2DK, 2LDK, and above layouts. If there are multiple types of residences are mixed in one building, they are classified as belonging to the type with the largest number of units.

(Note 2) Anticipated acquisition price does not include acquisition expenses, adjustments to property tax and city planning tax, and consumption tax and local consumption tax. The same applies hereinafter.

(Note 3) Amounts are rounded to the nearest unit and percentages are rounded to the first decimal place. Unless stated otherwise, the same applies hereinafter.

(Note 4) The name of the property will be changed to “Gran Casa Watanabedori” on July 3, 2023.

(Note 5) The intermediary of the Acquisition does not correspond to the interested party.

II. Reason for the Acquisition and Leasing

Based on the asset management objectives and policies set forth in the Investment Corporations Agreement, we have decided to acquire the Asset to Be Acquired in order to diversify and enhance the portfolio to achieve asset size growth and secure stable earnings.

The tenants of the Asset to Be Acquired meet the tenant selection criteria outlined in the Investment Corporation’s Management System Report dated December 21, 2022.

III. Details of Asset to Be Acquired and Leasing

The details of the Asset to Be Acquired are summarized in the following individual property tables. The description of the items mentioned in the individual property tables is as follows.

<Description of Items>

a. Explanation of Overview of Properties

1. “Location (residential indication)” is stated based on the residential indication in principle. Where residential indication is not shown, building location (if there is more than one, the location of one of the buildings) is shown in accordance with either the housing number indication or the registry (including the Registration Record; the same applies hereinafter).

2. “Form of ownership” for both Land and Building refers the type of rights held by the Investment Corporation for real estate and by the Trustee for real estate trust beneficiary interests.
3. “Zoning” for Land refers to the types of use districts stipulated by Item 1, Paragraph 1, Article 8 of the City Planning Act (Law No. 100 of 1968, including later amendments) (hereinafter referred to as the “City Planning Act”).
4. “Area” for Land is shown in accordance with the registry and may not correspond to the current reality.
5. “FAR” for Land refers to the ratio of the sum of the floor space of the building to the land area as stipulated in Article 52 of the Building Standards Act (Law No. 201 of 1950, including later amendments) (hereinafter referred to as the “Building Standards Act”), and the upper limit of floor-to-area ratio (designated floor-to-area ratio) as determined by city planning according to the use area. The designated floor-to-area ratio can be mitigated, increased, or reduced due to the width of roads connected to the site and other reasons, and may differ from the floor-to-area ratio that is actually in use.
6. “Building-to-land ratio” for Land shows the ratio of the building area to the land area as stipulated in Article 53 of the Building Standards Act, and the upper limit of building-to-land ratio (designated building-to-land ratio) as determined by city planning according to the use area. The designated building-to-land ratio can be mitigated, increased, or reduced due to fireproofed structures in a fire prevention districts and other factors, and may differ from the building-to-land ratio that is actually in use.
7. “Use” for Building refers to the building type recorded in the registry.
8. “Structure/Floors” for Building is based on records in the registry.
9. “Number of leasable units” (in the case of residence) indicates the number of units that can be leased as of May 31, 2023 for the Asset to Be Acquired.
10. “Number of leasable compartments” (in case of healthcare facilities) indicates the number of compartments of a building where a lease contract has been concluded, and includes retail stores, offices, etc., if any.
11. “Total floor area” for Building is based on records in the registry and does not include the floor area of annexed buildings.
12. “Construction completion” for Building refers to the date of completion recorded in the registry.
13. “Estimated emergency repair expenses,” “Estimated short-term repair expenses,” and “Estimated long-term repair expenses” are rounded down to the thousands, while ratios are rounded to the first decimal place.
14. “PML” data was acquired from Tokyo Marine dR Co., Ltd. in June 2023.
15. “Property manager” is the property management company entrusted with, or scheduled to be entrusted with the property management operations.
16. “Master lessee” is the party that has, or is scheduled to enter into a master lease agreement concerning the asset in question.
17. “Type of master lease” is either “Pass through” or “Guaranteed rent” “Pass through” is a master lease agreement where the master lessee passes on the rent equivalent to rent paid by the end tenant, and “Guaranteed rent” is a master lease agreement in which the master lessee pays a fixed rent.
18. “Real estate rent revenue” is the monthly rental income (rent, common service fee, parking lot income, etc.) rounded down to less than 1,000 yen based on the figures and information available as of May 31, 2023, of the Asset to Be Acquired.
19. “Lease and guarantee deposits, etc.” are the lease or guarantee deposits (residences, retail stores, offices, parking lots, etc.) rounded down to less than 1,000 yen based on the figures and information available as of May 31, 2023, of the Asset to Be Acquired.
20. “Leasable area” shows the leasable area of each of the Asset to Be Acquired as of May 31, 2023, excluding area used by storage spaces, parking spaces, custodian areas, signboards, vending machines, antennas and other spaces leased to the lessee in addition to their main use, or other areas leased for the maintenance and supervision of the relevant property (including loan for use). Furthermore, leasable area is calculated using the center line of the wall, and includes the meter boxes and pipe spaces allotted to each unit.
21. “Number of tenants” shows the leasable area of each of the Asset to Be Acquired as of May 31, 2023, and shall be one if a master lease agreement has been concluded with a master lessee.
22. “Total leased area” is the sum of the area leased through lease agreements with end tenants (however, in cases where properties are wholly leased to realtors through guaranteed rent agreements or where a master lessee wholly leases it to another company, lease agreements where properties are wholly leased to a lessee) at the Asset to Be Acquired that are in effect as of May 31, 2023.
23. “Occupancy rate” is the figure obtained by dividing the total leased area by the leasable area for the Asset to Be Acquired as of May 31, 2023, rounded down to the first decimal place.
24. The “Collateral” section denote if there is collateral to be borne by the Investment Corporation for the asset to be acquired, or if there is collateral to be borne after the acquisition.
25. The “Features” sections have been prepared based on the analyses of the Asset Manager and the appraisal reports of the real estate appraiser concerning the Asset to Be Acquired.
26. The “Special Notes” section denotes important factors upon considering the rights, appraisal values, the impact on profitability and disposability, etc., concerning the Asset to Be Acquired.

Overview of the Property			
Category of anticipated property for acquisition		Real Estate	
Scheduled acquisition price		JPY 668 million	Scheduled acquisition date July 3, 2023
Appraisal value (appraisal date)		JPY 726 million (as of June, 2023)	Appraisal firm Tanizawa Sogo Appraisal Co., Ltd.
Location (Residential indication)		2-6-4, Kiyokawa, Chuo-ku Fukuoka-shi, Fukuoka	
Access		Approximately 650 meters from Watanabe-dori Station on the Fukuoka City Subway Nanakuma Line	
Land	Form of ownership	Ownership	Zoning Commercial districts
	Area	297.82m ²	FAR/Building-to-land ratio 400%/80%
Building	Form of ownership	Ownership	Use Condominium
	Structure/Floors	RC, 11-story building with flat roof	Number of leasable units 40 units
	Total floor area	1,322.65 m ²	Construction completion February 19, 2017
Building engineer		MIRAIZU CONSTRUCTION CO.,LTD	
Constructor		MIRAIZU CONSTRUCTION CO.,LTD	
Building inspection agency		Bureau Veritas Japan Co., Ltd.	
Estimated emergency repair expenses		JPY 0 thousand	Estimated short-term repair expenses JPY 0thousand
Estimated long-term repair expenses		JPY 24,999 thousand	PML 5.2%
Property manager		HASEKO LIVENET, Inc.	
Master lessee		G.K. Japan Rental Housing	Type of master lease Pass through
Overview of Leasing			
Real estate rent revenue		JPY 2,921 thousand	
Lease and guarantee deposits		JPY 1,179 thousand	
Total leasable area		1,176.90m ²	Number of tenants 1
Total leased area		1,176.90m ²	Occupancy rate 100.0%
Collateral		None	
Features			
<p>Site features: This property is a 1K/1LDK condominium completed in February 2017, located an 9-minute walk from Watanabe-dori Station on the Fukuoka City Subway Nanakuma Line. With good access to both the Hakata Station area and the Tenjin Station area, this property is expected to have stable demand mainly from singles and DINKS with an emphasis on work-living proximity.</p> <p>Property features: The property is a 11-story reinforced concrete building, consisting of 20 of 1K units and 20 of 1LDK units. In addition to common facilities such as auto-locking door, intercom with monitor, security camera, delivery box, etc., in-house facilities such as hot water heater with reheating function, and warm water washing toilet seat are standard equipment in each unit. It is a property that provides high-quality and comfortable living to residents.</p>			
Special Notes			
None			

IV. Profile of the Counterparty

(1)	Company Name	UNITED REALTY inc.
(2)	Location	1-14-22, Akasaka, Chuo-ku Fukuoka-shi, Fukuoka
(3)	Title and Name of Representative	Seiji Imura
(4)	Description of Business	Real estate planning and development. Real estate management and brokerage.
(5)	Amount of Capital	5 million yen
(6)	Date of Incorporation	July 15, 2011
(7)	Net Assets	49 million yen
(8)	Total Assets	394 million yen

(9)	Major Shareholders and Ownership Ratio	Seiji Imura (100%)
(10)	Relationship between the seller and the Investment Corporation/Asset Manager	
	Capital Relationship	There is no capital relationship required to be disclosed between the Investment Corporation/Asset Manager and the seller. In addition, there is no capital relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the seller.
	Personnel Relationship	There is no personnel relationship required to be disclosed between the Investment Corporation/Asset Manager and the seller. In addition, there is no personnel relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the seller.
	Business Relationship	There is no business relationship required to be disclosed between the Investment Corporation/Asset Manager and the seller. In addition, there is no business relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the seller.
	Status of Classification as Related Party	The seller is not classified as related party with Investment Corporation/Asset Manager

V. Profile of the Property Seller

The seller of the anticipated property is not classified as a special related party of the Investment Corporation and the Asset Manager.

VI. Funds for Acquisition

Own funds

VII. Acquisition Schedule

- Decision of acquisition and conclusion of purchase agreement: June 22, 2023
- Payment and delivery: July 3, 2023

VIII. Payment Method, Etc.

Lump-sum payment at the time of transaction.

IX. Future Prospects

The Acquisition will have only a slight impact on the asset management condition for the fiscal period ending September 30, 2023 (April 1, 2023 to September 30, 2023) and the fiscal period ending March 31, 2024 (October 1, 2023 to March 31, 2024), and there is no change in the asset management forecast.

X. Summary of Appraisal Report

Property name		Partir Watanabedori I	
Appraisal value		726,000,000 yen	
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.	
Date of appraisal		June 1, 2023	
Item		Details	Outline, etc.
Value indicated by income approach	JPY thousand	726,000	Assessed by using the standardized net income value using the DCF method and by conducting verification from the net income value using the direct capitalization method
Value indicated by the direct capitalization method	JPY thousand	746,000	Assessed by capitalizing the standardized net income, which is recognized to be stable over the medium to long term, with the capitalization yield
	(1) Total Operating Income: (a) – (b)	JPY thousand	38,428
	(a) Rental revenues including common service fees	JPY thousand	37,594
			Rental revenue: Revenue that can be earned on an ordinary basis by leasing or contracting the operation of all or part of the subject property (assuming full occupancy) Common service fee revenue: Among the expenses required on a recurring basis for the maintenance, management, and operation of the subject property, revenue

				collected through contracts with lessees related to common areas (assuming full occupancy)	
		Parking fees	JPY thousand	900	Income generated by leasing the parking lot attached to the subject property to tenants, etc. and income generated by renting the parking lot by the hour (assuming the lot is full)
		Other revenues	JPY thousand	1,240	Income from non-refundable lump-sum payments such as key money and renewal fees and income from neighborhood association fees, installation of utility poles.
	(b)	Losses from vacancies	JPY thousand	1,307	Decrease in each income based on the projected occurrence of vacancy and replacement period, etc.
		Bad debt losses	JPY thousand	0	Decrease in each income based on the projected occurrence of bad debt
	(2)	Total Operating Expenses	JPY thousand	9,343	—
		Operation costs	JPY thousand	1,500	Expenses required on a recurring basis for the maintenance and management of the subject property, including building and facility management, security, cleaning, etc.
		Utilities	JPY thousand	635	Expenses required for electricity, water, gas, district heating and cooling heat source, etc. in the operation of the subject property
		Repairs and maintenance expense	JPY thousand	1,630	Of the amount paid for repair or improvement of buildings, facilities, etc. related to the subject property, the cost required for ordinary maintenance and management of the said buildings, facilities, etc. or to restore the partially damaged buildings, facilities, etc. to their original state.
		Property management fees	JPY thousand	855	Expenses for the management of the subject property
		Tenant promotion fees, etc.	JPY thousand	805	Expenses required for intermediary services and advertising, etc. when recruiting new tenants, as well as expenses required for the renewal of tenant lease contracts and re-signing of lease contracts.
		Taxes and public dues	JPY thousand	2,885	Property tax (land, buildings, depreciable assets), city planning tax (land and buildings)
		Nonlife insurance	JPY thousand	109	Charges for fire insurance for the subject property and attached facilities, liability insurance to cover damage to third parties, etc. due to defects or accidents in the management of the subject property, etc.
		Other expenses	JPY thousand	922	Other expenses such as internet usage fees, neighborhood association fees, cleaning of miscellaneous wastewater pipes and periodic inspections of special buildings, etc.
	(3)	Net Operating Income (NOI): (1) – (2)	JPY thousand	29,084	—
	(4)	Lump-Sum Investment Return	JPY thousand	9	Investment income is recorded assuming an investment yield of 1.0%.
	(5)	Capital Expenditure	JPY thousand	1,480	Expenses for repair or improvement of buildings, facilities, etc. related to the subject property that are recognized to increase the value of the said buildings, facilities, etc. or increase their durability
	(6)	Net Cash Flow (NCF): (3) + (4) – (5)	JPY thousand	27,614	—
	(7)	Capitalization Rate	(%)	3.7	Assessed by comprehensively considering the subject property's location, building conditions, and contract conditions.
		Value indicated by DCF method	JPY thousand	718,000	—
		Discount rate	(%)	3.8	Assessed by comparing with transaction examples of similar properties and by adding the individual characteristics of the property to the yield of the financial assets.
		Terminal capitalization rate	(%)	3.9	Assessed by taking into account the nature of the net income employed for the capitalization yield, future uncertainty, liquidity, marketability, etc.
		Value indicated by cost approach	JPY thousand	751,000	—
		Land ratio	(%)	59.0	—
		Property ratio	(%)	41.0	—
Other items of note by appraiser				None.	

(Reference Material) Exterior and Map of the Asset to Be Acquired



(Additional Material) Overview of Portfolio accompany the Acquisition

<Number of Properties, Etc.>

	Properties owned as of today (a)	Asset to Be Acquired (b)	(a) + (b)
Total number of properties	249 properties	1 property	250 properties
Total number of leasable units	18,170 units	40 units	18,210 units
Total leasable area	766,775.97 m ²	1,176.90 m ²	767,952.87 m ²

<Asset Size, Etc.>

	Properties owned as of today (a)	Asset to Be Acquired (b)	(a) + (b)
Total (anticipated) acquisition price	JPY 364.0 billion	JPY 0.6 billion	JPY 364.7 billion
Appraisal value (Note)	JPY 451.5 billion	JPY 0.7 billion	JPY 452.2 billion

(Note) Appraisal value of the "Properties owned as of today" is calculated based on the appraisal value as of February 1, 2023 for Gran Casa Kinshicho and the appraisal value as of the end of March 2023 for the other properties.

<Amount and Rate of Investment by Type (Based on (Anticipated) Acquisition Price)>

	Properties owned as of today (a)	Asset to Be Acquired (b)	(a) + (b)
Studio	JPY 174.9 billion (48.1%)	JPY 0.6 billion	JPY 175.6 billion (48.2%)
Family	JPY 80.8 billion (22.2%)	-	JPY 80.8 billion (22.2%)
Healthcare	JPY 108.2 billion (29.7%)	-	JPY 108.2 billion (29.7%)