

For Immediate Release

REIT Issuer:

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Notice Concerning Acquisition of Trust Beneficiary Interest in Domestic 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 acquire the following asset (the “Anticipated Acquisition”) as described below.

The decision to acquire the Anticipated Acquisition has been approved by the board of directors of DHR based on the Act on Investment Trust and Investment Corporations (Act No. 198 of 1951, as amended, the “Investment Trust Act”) and the Asset Manager’s voluntary rules regarding interested party transactions.

1. Acquisition overview

(1) Anticipated Acquisition

Property number	Real estate in trust (Property name)	Asset class	Location	Anticipated date of acquisition	Anticipated acquisition price (million yen) (Note 1)	Appraisal value (million yen) (Note 2)	NOI yield (Note 3)	NOI yield after depreciation (Note 4)
LM-005	DPL Shin-Narashino	Logistics	Narashino City, Chiba	April 1, 2021	5,930	6,170	5.1%	4.0%

(Note 1) Excluding such amounts as expenses related to acquisition, amounts equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes.

(Note 2) Appraisal value as of December 31, 2020.

(Note 3) “NOI yield” is represented by a figure calculated by dividing the stabilized net operating income, calculated by deducting operating expenses from operating income based on a direct capitalization method, as stated in the appraisal report (as of December 31, 2020) (the “Net Operating Income” in Note 4 below), by an anticipated acquisition price.

(Note 4) “NOI yield after depreciation” is calculated by dividing the figure, calculated by deducting depreciation estimated by the Asset Manager from the Net Operating Income in the appraisal report (as of December 31, 2020), by an anticipated acquisition price.

- (2) Anticipated execution date of the sale and purchase agreement : March 29, 2021
- (3) Seller : Daiwa House Industry Co., Ltd.
- (4) Acquisition funds : Cash reserves
- (5) Method of settlement : Payment of entire amount upon transfer

2. Rationale for acquisition

Based on the targets and policies prescribed in DHR’s Articles of Incorporation, the Asset Manager decided the acquisition having deemed that the acquisition would further increase the stability of cash flow and improve portfolio diversification. For the details of the Anticipated Acquisition, please refer to “Overview of leasing” and “Property characteristics” in “3. Details of the Anticipated Acquisition” below.

3. Details of the Anticipated Acquisition

Property number	DPL Shin-Narashino		Asset class	Logistics	
LM-005			Type	Multi-tenant type	
Anticipated date of acquisition	April 1, 2021		Anticipated acquisition price	5,930 million yen	
Overview of specified asset					
Type of specified asset	Trust beneficiary interest in real estate (Note 1)				
Trustee	Sumitomo Mitsui Trust Bank, Limited				
Trust maturity date	April 30, 2041				
Location	Lot number	1-7-21, Akanehama, Narashino City, Chiba			
	Residence indication	1-7-1, Akanehama, Narashino City, Chiba			
Land	Type of ownership	Ownership	Building	Type of ownership	Ownership
	Land area	6,999.00 m ²		Gross floor area	13,738.00 m ²
	Area classification	Quasi-industrial district		Use	Warehouse
	Building coverage ratio	60% (Note 2)		Structure	Steel-frame and steel-frame reinforced concrete building
	FAR	200%		Number of floors	4F
Collateral	None		Date of construction	November 15, 2018	
Overview of building condition evaluation					
Evaluation company	Tokio Marine & Nichido Risk Consulting Co., Ltd.				
Urgent repair costs	0 thousand yen	Evaluation date	March 2021		
Short-term repair costs	0 thousand yen	PML	2.6%		
Long-term repair costs	66,906 thousand yen / 12 years				
Soil contamination inspector					
Inspector	Tokio Marine & Nichido Risk Consulting Co., Ltd.				
Designer, structural designer, contractor, inspection agency					
Designer	Daiwa House Industry Co., Ltd.				
Structural designer	Daiwa House Industry Co., Ltd.				
Contractor	Matsumura-Gumi Corporation				
Inspection agency	JAPAN ERI CO., LTD.				
Structural calculation evaluation agency	-				
Overview of leasing					
Leasable area	12,686.32 m ²	Number of tenants	1		
Leased area	12,686.32 m ²	Annual rent	Not disclosed (Note 3)		
Occupancy rate	100.0%	Tenant leasehold and security deposit	Not disclosed (Note 3)		
Average lease term	Not disclosed (Note 3)	Average remaining lease term	Not disclosed (Note 3)		
Master lease company	Daiwa House Property Management Co., Ltd.				
Master lease type	Pass-through type				
Property management company	Daiwa House Property Management Co., Ltd.				
Lessee	Not disclosed (Note 3)				
Special items					
None					
Property characteristics					

■ Location

Narashino City where this property is located is situated in the western part of Chiba within a 25km radius from central Tokyo, and the bay area in particular functions as a major industrial hub for factories and logistics facilities in the Tokyo metropolitan area.

The property has excellent access to arterial roads and highways, located approximately 0.6km from Yatsu-Funabashi IC on the Higashi-Kanto Expressway, approximately 1.6km from Hanawa IC on the Keiyo Road, and in close proximity to the Tokyo Bay Road or National Route 357 which is the main highway to the city center. The location of the property allows it to serve as a large-scale distribution base covering a wide area of the Tokyo metropolitan area centered on central Tokyo and Chiba.

The location of the property is suitable for logistics, as it is surrounded by a number of factories and logistics facilities and can operate 24 hours a day over the long term without any concern over complaints from local residents. It is within a walking distance (approximately 0.9km) from Shin-Narashino Station on the JR Keiyo Line, the nearest station, and the residential area spreads out in the hinterland, making it easy to attract employees.

■ Specifications

It is a four-story freezing and refrigerating logistics facility with gross floor area of approximately 4,156 tsubo, and is leased to a food company and a supermarket. As for basic specifications, the property has a ceiling height of 5.5m, a floor weight capacity of 1.5t/m², and a pillar interval spacing of 10.5m by 9.6m, offering versatility for tenants with various business needs. In addition to 16 truck berths installed on one side of the first floor, one-way traffic operation utilizing two entrances and two exits enables improved safety and efficiency. Moreover, four cargo elevators are installed in the warehouse to ensure transportation efficiency. The property can be rented separately, contributing to enhance its competitive edge. There are six waiting spaces for trucks and 21 parking spaces for passenger cars, sufficient for the size of the property.

(Note 1) DHR has agreed in the purchase agreement with the seller that, as of the same date with the acquisition date of the property, the seller will entrust the property to the above trustee, and the seller will transfer the trust beneficiary interest to DHR as of the same date.

(Note 2) While the building coverage ratio of the property is essentially 60%, due to application of corner lot mitigation, it is set at 70%.

(Note 3) Not disclosed as consent for disclosure has not been obtained from the lessee.

4. Seller profile

(1) Name	Daiwa House Industry Co., Ltd.
(2) Location	3-3-5, Umeda, Kita Ward, Osaka City, Osaka
(3) Representative	Keiichi Yoshii, President, CEO and COO
(4) Business activities	General contractor
(5) Capital	161,699 million yen (as of September 30, 2020)
(6) Foundation date	March 4, 1947
(7) Net assets	1,805,146 million yen (as of September 30, 2020)
(8) Total assets	4,841,707 million yen (as of September 30, 2020)
(9) Major shareholder and shareholding ratio	The Master Trust Bank of Japan, Ltd. (Trust Account) 10.82% Custody Bank of Japan, Ltd. (Trust Account) 6.48% (as of September 30, 2020)
(10) Relationships with DHR and the Asset Manager	
Capital relationship	The seller holds 8.6% of DHR's investment units outstanding as of February 28, 2021. The seller also holds 100% of shares issued and outstanding of the Asset Manager as of today, and thus falls under the category of an interested party, etc. as defined in the Investment Trust Act.
Personnel relationship	Of the officers and employees of the Asset Manager, 12 people have been seconded from the seller as of today.
Business relationship	The seller is a consignee of PM and other services for DHR, and is a lessee of real estate owned by DHR. The seller has executed a new basic agreement regarding new pipeline support and other matters with DHR and the Asset Manager.
Status of classification as related party	The seller is not a related party of DHR. The seller is a parent company of the Asset Manager and thus falls under the category of a related party of the Asset Manager.

5. Interested party transactions

Daiwa House Industry Co., Ltd. as the seller and Daiwa House Property Management Co., Ltd. as the master lease and property management company of the Anticipated Acquisition are defined as interested parties, etc. in the Investment Trust Act. The Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its voluntary rules regarding interested party transactions.

6. Status of the seller

Property acquisitions from parties with particular interests are as follows. The table below notes (1) the name of the party; (2) the relationship with the party that has a particular interest; and (3) the backgrounds and reason for the acquisition.

Property name (Location)	Previous owner / trust beneficiary	Owner before previous owner / trust beneficiary
	(1), (2), (3)	(1), (2), (3)
	Acquisition price	Acquisition price
	Acquisition date	Acquisition date
LM-005 DPL Shin-Narashino (1-7-1, Akanehama, Narashino City, Chiba)	(1) Daiwa House Industry Co., Ltd. (2) The parent company of the Asset Manager (3) Acquisition for development purposes	A party which does not have any particular interests
	Omitted as the previous owner/trust beneficiary has owned the property for over one year	-
	October 2015	-

7. Acquisition schedule

(1) Acquisition decision date	:	March 26, 2021
(2) Execution date of the sale and purchase agreement	:	March 29, 2021 (planned)
(3) Date of payment	:	April 1, 2021 (planned)
(4) Delivery date	:	April 1, 2021 (planned)

8. Outlook

The impact of the acquisition of the Anticipated Acquisition will be minimal, and there are no revisions to the forecast of results for the fiscal period ending August 31, 2021 (from March 1, 2021 to August 31, 2021).

9. Overview of property appraisal

Property name	DPL Shin-Narashino
Appraisal value	6,170 million yen
Appraiser	Japan Real Estate Institute
Appraisal date	December 31, 2020

Item	Content	Basis
Value based on income method	6,170 million yen	Assessed the value by treating equally the value by the direct capitalization method and the value by the discounted cash flow method and correlating these two values
Value based on direct capitalization method	6,220 million yen	Not disclosed (Note)
Operating revenue	-	
Effective gross revenue	-	
Loss from vacancy	-	
Operating expense	-	
Maintenance	-	
Utility cost	-	
Repair	-	
Property management Fee	-	
Advertisement and other leasing cost	-	
Tax	-	
Insurance	-	
Other cost	-	
Net operating income (NOI)	300 million yen	

	Investment income of lump sum	-	Not disclosed (Note)
	Capital expenditure	-	
	Net cash flow (NCF)	298 million yen	
	Cap rate	4.8%	Assessed by adjusting basic yields in the area with spreads attributable to the property's location, the characteristics of the building, the contract terms and conditions and other characteristics, in consideration of prediction uncertainties and transaction yields for similar properties
	Value based on Discounted Cash Flow method	6,110 million yen	
	Discount rate	4.2%	Assessed by comprehensively taking into account characteristics unique to the property, etc., by reference to investment returns of similar properties, etc.
	Terminal cap rate	5.3%	Assessed by comprehensively taking into account upcoming changes in investment returns, risks associated with the property as an investment target, general prediction of economic growth rates, trends in real estate prices and rent rates and all other applicable factors, by reference to investment returns of similar properties, etc.
	Value based on cost method	5,480 million yen	
	Proportion of land	52.3%	
	Proportion of building	47.7%	
	Items applied to adjustments in valuation approach and the determination of the appraisal value		None

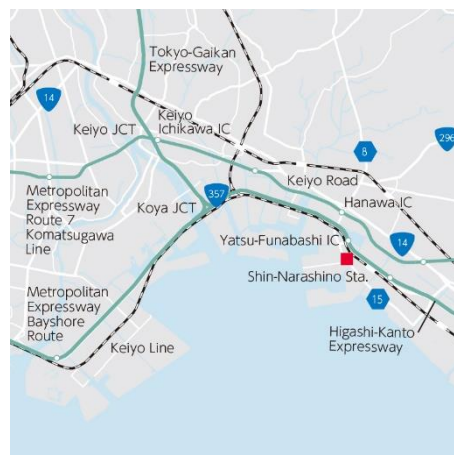
(Note) Consent has not been obtained from the lessee for disclosure of certain figures in relation to the direct capitalization method, including information that could be used to deduce these amounts. Disclosure of this information could damage the relationship with the lessee, potentially resulting in claims being brought against DHR for breach of confidentiality and/or termination and endangering the long-term contractual relationship. Therefore, DHR believes that disclosure of this information could be detrimental to unitholder value, and, except in certain instances where it was deemed that no harm would result from disclosure, these items are not disclosed.

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

<Attachments>

1. Photograph and location map of the Anticipated Acquisition

LM-005 DPL Shin-Narashino



2. Portfolio status after the acquisition of the Anticipated Acquisition

Asset class	Number of properties	(Anticipated) acquisition price (million yen)	Investment ratio (Note)
Logistics properties	63 properties	412,171	50.0%
Residential properties	130 properties	242,533	29.4%
Retail properties	23 properties	123,219	14.9%
Hotel properties	5 properties	19,110	2.3%
Other assets	6 properties	27,260	3.3%
Portfolio Total	227 properties	824,293	100.0%

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