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For Immediate Release

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Notice Concerning Completion of Acquisition of Trust Beneficiary Interests in Domestic Real Estate
(D Project Tosu (Extended Building))

Daiwa House REIT Investment Corporation (“DHR”) hereby announces that it has completed the acquisition of asset as described below.

1. Overview of acquisition

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|-----------------------|---|--|
| (1) Asset type | : | Trust beneficiary interests in real estate |
| (2) Property name | : | D Project Tosu (Extended Building) |
| (3) Acquisition price | : | 2,600 million yen (excluding acquisition-related expenses) |
| (4) Acquisition date | : | June 15, 2016 |
| (5) Land area | : | 6,939.40 m ² |
| (6) Gross floor area | : | 8,639.00 m ² |
| (7) Leased area | : | 9,029.00 m ² |

For the details of the acquired asset, please refer to the press release “Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate (D Project Tosu (Extended Building))” dated October 29, 2015. Cash reserves were used as the acquisition funds which were undetermined at the time of the previous press release.

2. Overview of the entire property after the acquisition of the Extended Building

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|-----------------------|---|--|
| (1) Property name | : | D Project Tosu |
| (2) Location | : | 1623-2, Aza Hasuhara, Himekata-machi, Tosu-shi, Saga |
| (3) Use | : | Logistics property |
| (4) Acquisition price | : | 4,700 million yen (excluding acquisition-related expenses) |
| (5) Lessee | : | NH Foods Ltd. |
| (6) Land area | : | 19,334.82 m ² |
| (7) Gross floor area | : | 17,143.62 m ² |
| (8) Leased area | : | 17,858.01 m ² |
| (9) Structure / floor | : | Steel-frame / 2 floors |

3. Overview of property appraisal

【Extended Building】

D Project Tosu (Extended Building)		
Appraisal value	3,000 million yen	
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal date	May 31, 2016	
Item	Content	Basis
Value based on income method	3,000 million yen	
Value based on cost method	2,600 million yen	
Proportion of land	23.5%	
Proportion of building	76.5%	
Items applied to adjustments in approaches to the value and the determination of the appraisal value	This property appraisal assumes that the lessee is renting the property as of the appraisal date. The value based on income method of the Extended Building is calculated by subtracting the value based on income method of the Existing Building from the value based on income method of the entire property (the Existing Building and the Extended Building).	

【The entire property】

D Project Tosu		
Appraisal value	5,730 million yen	
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.	
Appraisal date	May 31, 2016	
Item	Content	Basis
Value based on income method	5,730 million yen	Estimate by combining the value calculated by using direct capitalization method and the value calculated by using discounted cash flow method.
Value based on direct capitalization method	5,840 million yen	
Operating revenue	—	(Note)
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)	307 million yen	
Investment income of lump sum	—	(Note)
Capital expenditure	—	
Net cash flow (NCF)	309 million yen	
Cap rate	5.3%	Compare the multiple transaction yields in the neighboring areas and the similar areas of the same supply and demand, also, assess by taking into account the change prediction of net cash flow in the future, considering the relationship with the discount rate.

Value based on discounted cash flow method	5,680 million yen	
Discount rate	1st to 8th year 5.3% 9th year and later 5.4%	Estimate base yield of the warehouse by build-up approach based on yields of the financial products, and assess taking into account specific risks related to the property.
Terminal cap rate	5.5%	In consideration of the prediction uncertainty, estimate on the basis of capitalization rate.
Value based on cost method	5,380 million yen	
Proportion of land	34.3%	
Proportion of building	65.7%	
Items applied to adjustments in approaches to the value and the determination of the appraisal value		This property appraisal assumes that the lessee is renting the property as of the appraisal date.

(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.

* Distribution of this material: This material is distributed to “Kabuto Club” (a media correspondents’ club at the Tokyo Stock Exchange), the press club at the Ministry of Land, Infrastructure, Transport and Tourism and the press club for construction trade newspapers at the Ministry of Land, Infrastructure, Transport and Tourism.

* DHR’s website: <http://www.daiwahouse-reit.jp/english/>

<Attachment>

Photograph

