

Securities Code 3468



# Seventh Asset Replacement

Acquisition: Urban Park Mitsuike Koen (Residence) / Disposition: Funabashi Nishiura Logistics 1 (Logistics)

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Supplementary Explanatory Material  
Regarding November 30, 2020 Press Release

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Real Estate Investment Trust Securities Issuer

Star Asia Investment Corporation

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# Seventh Asset Replacement

Acquisition: Urban Park Mitsuike Koen (Residence) / Disposition: Funabashi Nishiura Logistics1 (Logistics)

## Execution of 7<sup>th</sup> Asset Replacement

- Acquire a family-type residence in the Tokyo area which is believed to be a highly stable defensive asset, as part of enhancement of the portfolio through asset replacements which SAR has continuously implemented.
- Disposal of the logistics facility which is expected to incur increased future life cycle costs, and at the same time, resolve income reduction factors due to the vacation of a tenant in the 11<sup>th</sup> period.

## The Approach to this Asset Replacement

- In the recent real estate market, the market for logistics facilities is relatively a sellers' market.
- Even under COVID-19, occupancy rates of family-type residences in the large metropolitan area have been maintained at high levels and revenues are stable.

## Implementation Policy for Asset Replacement

- 1.Future revenue contribution of the asset to be replaced (strengthen SAR's portfolio)
- 2.Real estate market conditions by asset type
- 3.Level of the investment unit price of SAR

※Please refer to "Supplementary Material Concerning Acquisition and Transfer (Asset Replacement) of Real Estate Beneficiary Interests in Trust" announced on July 23, 2018

## Asset to be Acquired

### < Urban Park Mitsuike Koen >



Planned acquisition price	3,160 mm
Appraised value	3,330 mm (note 1)
Appraised cap rate	5.5 % (note 2)
Age	28.7 years (note 3)

- ✓ Use of Preferential Negotiation Rights
- ✓ In 2016, the common-use areas and exclusive areas have been fully renovated, and the property is highly competitive.
- ✓ The property has maintained a high occupancy rate even amid COVID-19, and income stability is expected to remain at a high level, and it is believed that it will contribute to enhancement of the portfolio.

## Asset to be Transferred

### < Funabashi Nishiura Logistics >



Planned acquisition price	3,030 mm
Appraised value	3,020 mm (note 1)
Appraised cap rate	5.1 % (note 2)
Age	35.2 years (note 3)

- ✓ The current tenant is expected to vacate the property at the end of January 2021, and income is expected to decrease in the period ending July 2021 also due to new tenant leasing costs.
- ✓ Searched for a buyer for the property for which an increase in life cycle costs (repair costs, capital expenditures) is expected, utilizing the broad network of Star Asia Investment Management.



■ For Funabashi Nishiura Logistics I, conducted early leasing activities and disposition activities at the same time.



- Conducted leasing activities aiming for reduction of down time and leasing the property at an early stage
- At the same time, began searching for potential buyers that would consider acquisition, even under the situation where a successor tenant has not been determined.

- Eliminate income reduction factors for the period ending July 2021.
- Consider degree of contribution to income in the mid- to long-term.
- Existence of a replacement asset (for acquisition) which has stable income.

To Asset Replacement

(Note 1) The appraisal value states the appraisal value as of October 31, 2020 (for Urban Park Mitsuike Koen) and as of July 31, 2020 (for Funabashi Nishiura Logistics 1) as stated in the appraisal reports obtained by SAR. (Note 2) (Note 2) Appraisal NOI Yield is calculated by dividing the Net Operating Income (NOI) stated in each appraisal report by the expected acquisition price with respect to the asset to be acquired, and by the acquired price with respect to asset to be assigned, respectively.

(Note 3) For the years since completion, the number of years lapsed as of November 30, 2020 from construction completion is stated.

# The Portfolio after the 6th / 7th Asset Replacement

■ **Consecutive** asset replacements focusing on **enhancement of the portfolio**.

■ **Achieve the strategy (disposal of suburban type commercial retail facilities)** upheld from before the merger + **secure stability** of the portfolio.

## <Effect of Consecutive Asset Replacement>

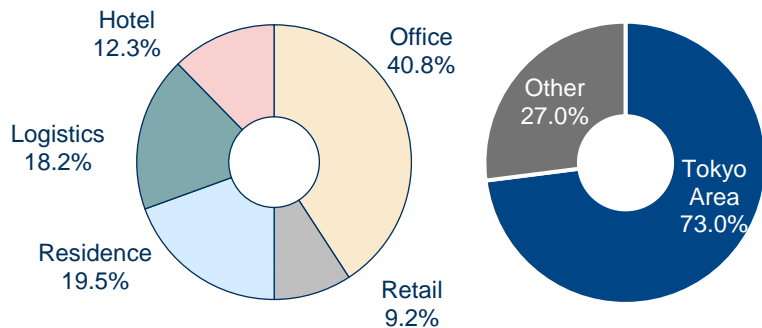
1. Towards a portfolio which will **secure stability of income**.

- The ratio of residences within the portfolio to increase by incorporating family-type residences in the Tokyo area which are believed to have high stability of income.

2. **Eliminate short-term income reduction factors**, and **increase current net income**.

- By selling the logistics facility which is an income reduction factor for the period ending July 2021, and acquiring the 2 highly profitable residential properties, net income per investment unit for the same period is expected to increase by approximately 60 yen (estimate).

## <The Portfolio after the 6th & 7th Asset Replacement>



- Asset Size : 166.7 bn
- Number of properties : 53
- Average acquisition price: 3.14 bn
- Average appraised NOI yield: 4.9 %

※The above stated ratio has been calculated based on the asset size of JPY166.7 billion (purchase price basis) after execution of the 7th asset replacement and the sale of 60% quasi-co-ownership interest in Alphabet Seven.

Continue to implement active management to maximize unitholders' value even after the merger.

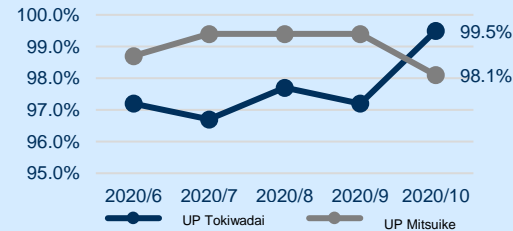
Acquisition

< Urban Park Tokiwadai Koen >



Total number of housing units : 213

<Occupancy rate status>



< Urban Park Mitsuike Koen >



Total number of housing units : 157

- For both properties, utilized the preferential negotiation rights held by SAR.
- Both properties are family-type residences, and all housing units are of 66㎡ (2LDK or 3LDK).
- Both properties have maintained market competitiveness through full renovation and repairs including the exclusive areas in 2016.

- Acquire 2 family-type residential properties with stable occupancy rate, in anticipation of market changes and post COVID-19.
- Acquire the 2 properties for an average price of ▲6.1% compared to appraisal values, by utilizing the bridge fund established in November 2018.

Disposition

< Suroy Mall Nagamine >



Dispose of suburban-type commercial retail facility in rural area.

< Funabashi Nishiura Logistics 1 >



Possibility of cost increase even in the mid-term.

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