

September 27, 2023

Real Estate Investment Trust Securities Issuer

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Notice Concerning Acquisition of Trust Beneficiary Interest in Domestic Real Estate
(Esty Maison Noborito)

Sekisui House Reit, Inc. (“SHR”) hereby announces that Sekisui House Asset Management, Ltd. (“SHAM”), to which SHR entrusts management of its assets, has decided today for SHR to acquire the following asset (hereinafter referred to as the “Asset Acquisition”) as described below.

1. Summary of the Asset Acquisition

Property name (Note 1)	Type of use	Location	Planned acquisition price (Note 2)	Planned acquisition date	Seller (Note 3)
Esty Maison Noborito	Residence	Kawasaki-shi, Kanagawa	490 million yen	October 3, 2023	Undisclosed

- a. Type of specified asset : Trust beneficiary interest in trust asset which is comprised of domestic real estate
- b. Contract date : September 27, 2023
- c. Brokerage : Applicable (Note 4)
- d. Acquisition financing : Own funds
- e. Settlement method : Payment of entire amount at time of delivery

(Note 1) The name of the property “Esty Maison Noborito” is “Liberte Noborito” as of today, but after the acquisition of the property by SHR, the brand name of the property is scheduled to be changed to “Esty Maison” after the tenants are notified for a certain period of time. Therefore, the name of the property after the change is mentioned above. The same applies hereinafter.

(Note 2) “Planned acquisition price” is the sale and purchase price stated in the trust beneficiary interest transfer agreement concluded between SHR and the seller (excluding consumption tax, local consumption tax, commission for sales, and other various expenses; rounded down to the nearest million yen). The same applies hereinafter.

(Note 3) The “seller” is undisclosed because the consent for disclosure has not been obtained from the seller.

(Note 4) The broker has no capital, personal and/or business relationship with SHR or SHAM that needs to be specified and does not fall within the definition of interested persons of SHR and SHAM.

2. Reason for the Asset Acquisition

Based on the targets and policies of asset management stipulated in the Articles of Incorporation of SHR, the asset to be acquired (“Asset to be Acquired”) will be acquired with the aim of enhancing the residence portfolio and further strengthening the earnings base in the Greater Tokyo area (Note). The characteristics of the Asset to be Acquired that were focused on when deciding to acquire the property are as follows.

(Note) “Greater Tokyo area” refers to Tokyo, Kanagawa, Chiba, and Saitama Prefectures.

(1) Location characteristics

The property is located approximately a 5-minute walk from Noborito Station on the Odakyu Line and JR Nambu Line, with convenient transportation to the city center as it takes approximately 17 minutes from Noborito Station

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to Shinjuku Station on the Odakyu Line rapid express train.

While the natural environment is abundant with the Tama River which is within walking distance, the location is also convenient with a supermarket, post office, hospital, etc. around the station.

(2) Property characteristics

The property is a medium-rise condominium with 5 floors above ground which consist of 31 units and only 1K rooms. The facilities are equipped with auto-lock, security camera, intercom with monitor and delivery box etc. and demand is expected mainly by singles and students who value convenience.

3. Description of the Asset to be Acquired

Overview of specified asset		
Property name	Esty Maison Noborito	
Type of specified asset	Trust beneficiary interest	
Trustee	Mizuho Trust & Banking Co., Ltd. (planned)	
Period of trust contract	From October 3, 2023 to the end of October 2033 (planned)	
Planned acquisition price	490 million yen	
Appraisal value (Date of value)	510 million yen (September 1, 2023)	
Appraiser	JLL Morii Valuation & Advisory K.K.	
Location (residence indication)	364 Noboritoshinmachi, Tama-ku, Kawasaki-shi, Kanagawa	
Land	Lot	364-1, 364-2, Noboritoshinmachi, Tama-ku, Kawasaki-shi, Kanagawa
	Site area	368.68 m ²
	Use district	Category 1 residential zone
	Building coverage ratio	60%
	Floor area ratio	200%
	Type of ownership	Ownership
Building	Use	Apartment complex
	Construction completion	January 2008
	Structure / Floors	RC/5F
	Total floor area	798.18 m ²
	Type of ownership	Ownership
Collateral	None	

Status of leasing and management	
Leasable area	657.79 m ² (Leasable unit: 31 units)
Leased area	657.79 m ² (Leased unit: 31 units)
Occupancy rate	100.0% (as of the end of August 2023)
Number of tenants	1
Monthly rent	2,391 thousand yen
Leasehold and security deposits	2,467 thousand yen
Property management company	HASEKO LIVENET, Inc. (planned)
Master lease company	HASEKO LIVENET, Inc. (planned)
Master lease type	Pass-through type
Contract period	From October 3, 2023 to October 2, 2024 (planned)

Outline of building engineering report		
Building replacement cost	216 million yen	
Repair expense	Emergency repair	—
	Short-term repair	—
	Long-term repair	2,226 thousand yen
Investigator	Tokyo Bldg-Tech Center Co.,Ltd	

Outline of earthquake PML appraisal	
PML value	7.4%
Investigator	Sompo Risk Management Inc.
Building designer, constructor, building inspector	
Building designer	Okada Planning Co., Ltd.
Structure designer	Umeda Architectural Design Office
Constructor	ISHI-GROW CORPORATION
Building inspector	Kawasaki city chief architect
Matters of special note	
A surface right has been established on a part of the land, with the Ministry of Land, Infrastructure, Transport and Tourism as the surface right holder, for the purpose of installing underground river management systems.	

[Explanation of “3. Description of the Asset to be Acquired”]

- (1) “Appraisal value (Date of value)” is the appraisal value or the survey value along with the date of valuation prepared by the appraisal agency or price survey research agency that SHR and SHAM have entrusted with the appraisal or survey of the investment real estate, where the appraisal value or survey value is rounded down to the nearest million yen. In addition, the survey report is based on the Act on Real Estate Appraisal (Act No. 152 of 1963) and the “Guidelines Concerning Determination of the Purpose and Scope of Business when Real Estate Appraisers Conduct Price Surveys Relating to Real Estate and Statements on Results Report” stipulated by the Ministry of Land, Infrastructure, Transport and Tourism, thus was issued as a price survey that does not conform to real estate appraisal standards
- (2) “Location” is the indication of the residential address. Residential address is based on the notice delivered by municipalities, the written property outline or written explanation of important matters. Furthermore, if there is no implementation of indication of residential address or no indication of residential address in the written property outline and written explanation of important matters, “Location” is the content of “Location of the building” section in the registry (including registration information; the same applies hereinafter) or the indication method used in practice as the location.
- (3) “Lot” and “Site area” are the parcel number (in cases where there are several, then one of them) and the sum total of parcel area based on that stated in the registry.
- (4) “Use district” is the type of use district listed in Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, including amendments thereto) (the “City Planning Act”).
- (5) “Building coverage ratio,” which is the ratio of the building area of the building to the site area as provided in Article 53 of the Building Standards Act (Act No. 201 of 1950, including amendments thereto) (the “Building Standards Act”), is the percentage figure provided in accordance with the Building Standards Act, the City Planning Act and other related laws and regulations.
- (6) “Floor area ratio,” which is the ratio of the total floor area of the building to the site area as provided in Article 52 of the Building Standards Act, is the percentage figure provided in accordance with the Building Standards Act, the City Planning Act and other related laws and regulations.
- (7) For “Land”, “Type of ownership” is the classification of the type of ownership, such as ownership right and compartmentalized ownership interest held or to be held by the trustee of the real estate trust for real estate in trust.
- (8) “Use” indicates the main type of property indicated in the registry.
- (9) “Construction completion” is based on that stated in the registry.
- (10) “Structure / Floors” is based on that stated in the registry. Furthermore, the following abbreviations are used.
RC: Reinforced concrete structure; SRC: Steel reinforced concrete structure; S: Steel-framed structure
- (11) “Total floor area” is the sum total of floor area of the building or building in trust (excluding annex buildings, etc.) indicated in the registry
- (12) For “Building”, “Type of ownership” is the classification of the type of ownership, such as ownership right and compartmentalized ownership interest held or to be held by the trustee of the real estate trust for real estate in trust.
- (13) “Collateral” outlines the collateral borne by SHR (after acquisition), if any.
- (14) “Leasable area” refers to the total floor area which is considered to be available for leasing based on each lease agreement or building drawings, etc., effective as of the end of August 2023.

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- (15) “Leased area” is the sum of the leased area indicated in each lease agreement or the leased area based on building drawings, etc., effective as of the end of August 2023.
- (16) “Occupancy rate” is the ratio of leased area to leasable area rounded to the first decimal place.
- (17) “Number of tenants” is the total number of tenants based on the contents of each lease agreement effective as of the end of August 2023. In addition, as for the Asset to be Acquired, since a master lease agreement is planned to be concluded between the trustee and the master lease company, the number of the total lessee under the master lease agreement is stated in the total number. Please refer to (21) below for the definition of “master lease company” and “master lease agreement”.
- (18) “Monthly rent” refers to the monthly rent as indicated in each lease agreement effective as of the end of August 2023 (excluding usage fee for parking, warehouses, signboards, etc. but including common area fees. Consumption tax and local consumption tax are not included. The same applies hereinafter. Additionally, even if there is a provision for free rent or rent holiday in the said each lease agreement, the free rent and rent holiday as of the same day will not be considered.), rounded down to the nearest thousand yen respectively. Furthermore, the term “Free rent” is an agreement which sets up a free or fairly low rent for a certain period (mainly at the time of moving in), and “Rent holiday” is an agreement which sets up a free or fairly low rent regularly or irregularly, for a certain period during the rental period. The same applies hereinafter.
- (19) “Leasehold and security deposits” is the total amount of the leasehold and security deposits as indicated in each lease agreement effective as of the end of August 2023 (excluding leasehold of parking), and is rounded down to the nearest thousand yen.
- (20) “Property management company” refers to the company that is planned to be entrusted with property management operations after the acquisition of the Asset to be Acquired by SHR.
- (21) “Master lease company” refers to the company that is planned to conclude a master lease agreement with the trustee after the acquisition of the Asset to be Acquired by SHR and become the master lease company. Furthermore, “master lease agreement” is a lease agreement of a building concluded in bulk for the purpose of the lessee subleasing the building to third parties. The same applies hereinafter.
- (22) “Master lease type” describes the type of master lease agreement which will become valid after the acquisition of the Asset to be Acquired by SHR. “Fixed-rent type” is a master lease in which the rent that the master lessee pays is a fixed amount regardless of the rent that the sublessee pays to the master lessee. “Pass-through type” is a master lease in which the rent that the master lessee pays is always the same amount as the rent that the end-tenant pays to the master lessee.
- (23) “Contract period” is based on the contents of each lease agreement which will become valid after the acquisition of the Asset to be Acquired by SHR.
- (24) “Building replacement cost” is based on the building engineering report, excluding consumption tax, rounded down to the nearest million yen.
- (25) “Repair expenses” are based on that stated in the building engineering reports. “Short-term repair” is the investigator’s estimate of the repair and renewal expenses required within one year at the time of investigation. “Long-term repair” is the investigator’s estimate of the annual average amount of the repair and renewal expenses for 12 years at the time of investigation.
- (26) “PML value” is based on the earthquake PML appraisal report calculated by Sampo Risk Management Inc. for the Asset to be Acquired or the building engineering report stating PML calculated by Sampo Risk Management Inc. The concerned statement is no more than an indication of the opinion of the reporting party, and SHR does not guarantee the accuracy of the content thereof. Furthermore, “PML” refers to a “probable maximum loss” due to an earthquake. Although there is no consistent strict definition, in this press release, “PML value” expresses the loss amount (loss amount equivalent to 475 years of reproduction) with an excess probability of 10% over the assumed expected use period (50 years = general lifespan of the building) is expressed as a percentage of the replacement cost. However, the amount of probable loss is limited to that for direct loss on the building (structure, finishing and building equipment) only that are caused by earthquake ground motion, and does not include damage to equipment, furniture, fixtures, etc., loss caused by post-earthquake water or fire disasters, compensation for disaster victims, operating loss due to interruption of business operations and other secondary damages.
- (27) “Matters of special note” is the matters considered important in relation to rights, use, etc. of the Asset to be Acquired, and the matters considered important in consideration of the degree of impact on the valuation, profitability and liquidity of the Asset to be Acquired including the following matters.
- a. Key limitations or restrictions by laws and regulations
 - b. Key burdens or limitations pertaining to rights, etc. (including establishment of security interest)
 - c. Key structures, etc. crossing the boundary between the real estate or real estate in trust and the adjacent land or issues with boundary confirmation, etc., as well as agreements, etc. thereof, if any
 - d. Key matters agreed upon or agreements, etc. with co-owners or compartmentalized ownership holders

4. Profile of Seller

Although the seller is a domestic real estate related company, details are undisclosed as consent on disclosure has not been obtained from the seller. The concerned seller has no capital, personal and/or business relationship with SHR or SHAM that needs to be specified and does not fall within the definition of a related party of SHR and SHAM. Additionally, the seller does not fall within the definition of interested persons of SHR or SHAM.

5. Future Outlook

The effect of this Asset Acquisition on the results of SHR is minimal, and there is no impact on the forecasts of performance for the fiscal period ending October 31, 2023 (May 1, 2023 – October 31, 2023) and the fiscal period ending April 30, 2024 (November 1, 2023 – April 30, 2024) as mentioned in the "Financial Report for the Fiscal Period Ended April 30, 2023" announced on June 15, 2023.

6. Summary of the Appraisal Report, etc. of the Asset to be Acquired

Property name	Esty Maison Noborito
Appraisal value	510,000,000 yen
Name of appraisal firm	JLL Morii Valuation & Advisory K.K.
Date of value	September 1, 2023

(Thousand yen)

Item	Details	Description, etc.
Income approach value	510,000	Calculated by correlating the value determined by the direct capitalization method with the value determined by the DCF method.
Value based on direct capitalization method	522,000	-
Operating revenue	28,554	-
Gross potential income	30,026	Assessed medium-to long-term stable rent based on current conditions, etc.
Vacancy loss, etc.	1,472	Assessed by taking into account the standard vacancy rate and the individuality of the subject property.
Operating expenses	7,720	-
Maintenance and management fee	1,944	Assessed based on the level of cost and contract of similar cases.
Utilities expenses	597	Assessed based on the level of cost and the actual value of similar cases.
Repair expenses	1,136	Repair costs: 30% of the standardized amount based on the estimate in the engineering report that was deemed appropriate. Restoration costs: Assessed taking into account the standard level of cost, actual value and termination rate of similar cases.
Property management fee	839	Assessed based on the level of cost and contract of similar cases.
Tenant leasing cost, etc.	1,428	Assessed based on local practice and termination rate of similar cases.
Property taxes	1,422	Assessed based on the actual value, taking into account fluctuation rate and aging depreciation, etc.
Insurance premium	27	The presented material was deemed appropriate and recorded.
Other expenses	327	Assessed based on the actual value of expenditure.
Net operating income (NOI)	20,834	-
Gain on management of income from lump-sum payment	22	Assessed by multiplying the investment yield by the amount obtained by deducting the amount equivalent to vacancy loss from the amount of deposit upon vacancy, etc.
Capital expenditures	1,559	The estimate in the engineering report was deemed appropriate and 70% of the standardized amount was recorded.
Net cash flow (NCF)	19,297	-
Capitalization rate	3.7%	Assessed by taking into account the risk of fluctuations in earnings and principal, etc. in the discount rate.

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Value of earnings calculated by discounted cash flow (DCF) method	498,000	-
Discount rate	3.5%	Assessed based on the standard yield while taking into account a comprehensive consideration of market trends and other factors, including risk factors related to the geographical characteristics and individuality of the subject property.
Terminal capitalization rate	3.9%	Assessed based on capitalization rate while considering the risks such as future uncertainty, etc.
Cost method value	351,000	-
Ratio of land	80.9%	-
Ratio of building	19.1%	-

Items considered upon determining appraisal value	The value indicated by the income approach obtained through the price formation process from the profit aspects judged to be a more persuasive price reflecting actual market conditions, and the value indicated by the cost approach is limited to reference only and the value indicated by the income approach is adopted.
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(Note) As the amounts are given in units of thousand yen, the amounts may not add up to the figures for operating revenue, operating expenses and other items.

*Comparison with average rent unit price for the lease agreement

Average rent unit price for the appraisal price	3,730 yen/m ² (12,330 yen/tsubo)
Average rent unit price for lease agreements	3,635 yen/m ² (12,016 yen/tsubo)

(Note 1) "Average rent unit price for the appraisal price" is the average rent unit price based on "rent revenue from rental rooms with common area charges" in the direct capitalization method described in the appraisal report.

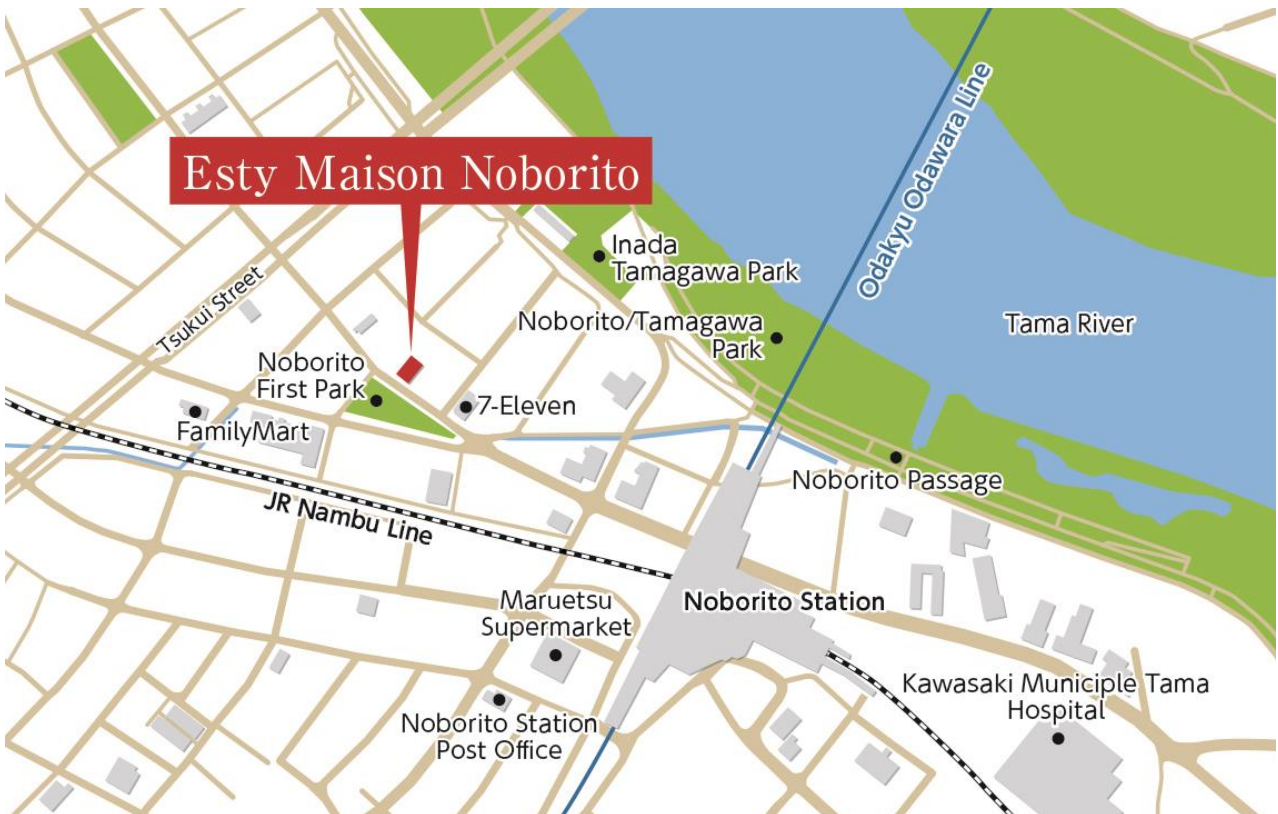
(Note 2) "Average rent unit price for lease agreements" is the average rent unit price based on the Monthly rent in "3. Description of the Asset to be Acquired" above.

* Sekisui House Reit, Inc. website: <https://sekisuihouse-reit.co.jp/en/>

<Attachment>

Reference Material: Property Photograph and Surrounding Area Map of the Asset to be Acquired

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