

Questions & Answers at the Presentation Meeting For the Results of the Fiscal Period Ended January 2021

Date & Time: From 16:30 to 16:45, Friday, March 19, 2021
Presenter: Takeshi Takano,
President and Representative Director,
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* Advance Residence Investment Corporation is abbreviated as “ADR”.

Occupancy Rate Related Questions

Q1. Are you expecting the occupancy rate to stabilize going forward?

A1. The compact and family type units are doing quite well. Especially, family type units are getting many inquiries, and we are able to maintain high level of rent increase.

For single type units we are still seeing rent declines and move-outs continue to be higher compared to the same period last year. Although, I think this trend to continue for another year, it will recover once the COVID-19 pandemic is over and corporations return to normalize their operations.

Although we set the forecast average occupancy rate for the fiscal year ending July 2021 as 96.4%, the figure is more of an ambitious target than a forecast. Realistically speaking I think the occupancy for the period will be around 96.1%. On the other hand, we have over budgeted repair costs and other expenses to compensate the ambitious top line revenue. As a result I think we will be able to achieve the NOI and EPU forecast, even if we cannot bring the occupancy to 96.4% and it ends up around 96.1%. Therefore, if we achieve an occupancy rate of 96.4% we intend to increase the DPU.

Acquisitions Related Questions

Q2. You have said in the presentation that, for the time being, you are not in a hurry to increase your AUM. But, what will trigger you to pursue asset acquisitions?

A2. As long as property prices remain high, our current pace of asset acquisition will basically be 5 billion of acquisitions and 2 billion of disposals per year. We would not acquire properties just to increase our AUM. Rather our priority will be the gradual increase of NOI and EPU. Even though I think our current valuation is enough for us to go to the equity market, I think it would not be of anybody's advantage while the market is so volatile and the risk of it becoming a discounted offering is so high. We would like to wait till the market stabilizes.

Q3. Even though you say that the population outflow of tenants from Tokyo city center to suburbs in your portfolio is limited, my understanding is that suburbs that are as convenient increasing. In light of such trend, will you be expanding your investment

target area?

A3. We have been making diversified investments including the suburbs to begin with. The pipeline properties developed by our sponsor are also scattered around the radius of 10 km from the Tokyo Station. Although on basis of unit type we need to reconsider the specifications of the single type units, such as increasing the size of the unit, installing workspaces. Our sponsors are also currently starting to develop properties with that kind of specifications in mind.

Student Housing Related Questions

Q4. What is your stance on student housing assets?

A4. Although there are demands in the medium term, the number of students will not be growing in the long-term. Therefore we do not seek to aggressively acquire such assets. We will require a fair amount of yield premium when acquiring these operational assets as with senior housing properties. Our mainstay will continue to be plain multi-family housing.

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