

April 25, 2019

Real Estate Investment Trust Unit Issuer:
TOKYU REIT, Inc.
1-12-1, Dogenzaka,
Shibuya-ku, Tokyo, 150-0043, Japan
Kazuyoshi Kashiwazaki
Executive Director
(Securities Code: 8957)

Investment Management Company:
Tokyu Real Estate Investment Management Inc.
Representative:
Kazuyoshi Kashiwazaki
Representative Director & President, Chief Executive Officer
Inquiries:
Kiyoshi Yamakawa
Chief Financial Officer and General Manager, Finance and IR
TEL: +81-3-5428-5828

Notice Concerning Acquisition of Domestic Real Estate

TOKYU REIT, Inc. (“TOKYU REIT”) today announced that its investment management company, Tokyu Real Estate Investment Management Inc. (“Tokyu REIM”), has decided to acquire domestic real estate (referred to as the “Acquisition”). Brief details are as follows.

1. Outline of the Acquisition

- | | |
|---------------------------------|--|
| (1) Type of Acquisition: | Domestic real estate |
| (2) Property Name: | UNIZO Shimokitazawa Building |
| (3) Use: | Retail |
| (4) Acquisition Price: | ¥2,257 million
(Excluding acquisition-related costs, property tax, city planning tax, etc.) |
| (5) Contract Date: | April 25, 2019 (Thursday) |
| (6) Scheduled Acquisition Date: | April 26, 2019 (Friday) |
| (7) Seller: | Domestic company
(Please refer to the “5. Profile of the Counterparty”) |
| (8) Financing: | The borrowings
(For details of the borrowings, please refer to the press release titled, “Notice Concerning Debt Financing” dated today.) |

2. Rationale

The acquisition of the property (the “Property”) has been decided with the aim to further enhance the property portfolio of TOKYU REIT as it is a property located in Setagaya ward, Tokyo, which fall under the focused investment areas, the Tokyu Areas (Note 1), and as the Property satisfies the “Scope and Policy of Investment Management” in the Articles of Incorporation of TOKYU REIT.

The Shimo-kitazawa area where the Property is located is a highly popular area with around 230,000 passengers visiting Shimo-kitazawa Station each day (Note 2) and offers excellent access to central Tokyo including Otemachi, etc., in addition to Shibuya and Shinjuku as two railway lines namely Odakyu Odawara Line and Keio Inokashira Line are available. Furthermore, development of the station-front plaza, pedestrian pathways, etc. is progressing with the opportunity provided by the Odakyu Line’s four-track line project, and better flow of people and greater bustle are anticipated.

The Property is a retail building located approximately a three-minute walk from Shimo-kitazawa Station and faces Kamakura-dori. The Property boasts high competitiveness within the area as its traffic convenience and visibility are high, which leads to maintaining high occupancy. In addition, the NOI yield of the most recent year calculated based on the expected rent level and occupancy rate of the Property as of the acquisition date is 3.3% (Note 3), but is assumed to be 3.9% in the medium to long term, factoring in internal growth generated by future improvement in occupancy rate and rent increase.

TOKYU REIT will continue to conduct investment management while closely monitoring trends in capital and real estate investment markets, all while adhering to its investment policy. TOKYU REIT will strive to form a portfolio that leads to an improvement in asset value and growth of net income per investment unit.

(Note 1) Tokyo (Shibuya, Shinagawa, Meguro, Setagaya and Ota wards, and Machida city); Yokohama city, Kanagawa prefecture (Kohoku, Kanagawa, Naka, Nishi, Midori, Aoba and Tsuzuki wards); Kawasaki city, Kanagawa prefecture (Nakahara, Takatsu and Miyamae wards); and Yamato city, Kanagawa prefecture).

(Note 2) The total amount of passengers for Odakyu Line and Keio Line in 2017

(Note 3) Calculation premised on projection of future annual average occupancy rate (91.6%)

3. Property Details

Property Name		UNIZO Shimo-kitazawa Building				
Type of Specified Asset		Domestic real estate				
Location	Registered	Land	6-1058-114, 6-1058-27, 6-955-35, Daita, Setagaya-ku, Tokyo			
		Building	6-1058-114, 6-1058-27, 6-955-35, Daita, Setagaya-ku, Tokyo			
	Residential	6-6-1 Daita, Setagaya-ku, Tokyo				
Access		Approximately a three-minute walk from Shimo-kitazawa Station, Keio Inokashira Line Approximately a five-minute walk from Shimo-kitazawa Station, Odakyu Odawara Line				
Use		Retail				
Area Classification		Category 1 residential districts and Category 1 low-rise exclusive residential districts				
Site/Floor Area (Registered)	Land	489.27 m ²				
	Building	1,306.55 m ²				
Structure (Registered)		RC B1/4F				
Completion Date (Registered)		June, 2008				
Design Company		Toei Architects Co.				
Construction Company		Shinkou Kensetu Inc.				
Inspection Authority		Urban Development Section, Setagaya ward				
Earthquake Resistance		PML (Probable Maximum Loss) of 10.9% is based on the earthquake risk assessment (detailed) report prepared by Engineering and Risk Services Corporation and OYO RMS Corporation (as of April 10, 2019). PML refers to the expected damages caused by earthquakes. Although there is no single authoritative definition of PML, it refers to the percentage of expected damages caused by a small-to large-scale earthquake that may happen within the next 475 years to the replacement value. Calculations also include data relating to individual property surveys, assessment of building conditions, conformity to architectural design, ground conditions of the relevant site, surveys of local areas and structural evaluation.				
Type of Ownership	Land	Proprietary ownership				
	Building	Proprietary ownership				
Acquisition Price		¥2,257 million				
Appraisal Value	¥2,290 million (effective date of value: April 1, 2019)					
	Appraiser : Daiwa Real Estate Appraisal Co., Ltd.					
Building Assessment Reporter		Shimizu Corporation				
Date of Building Assessment Report		April 9, 2019				
Property Management Company		Tokyu Corporation				
Security/Guarantee		None				
Special Items		None				
Tenant Details	Total Number of Tenants	9				
	Total Rental Income	97 million a year				
	Lease Deposits and Guarantee Deposits	65 million (as of January 31, 2019)				
	Estimated NOI	75 million a year				
	Estimated NOI after depreciation	50 million a year				
	Total Leased Area	1,246.97 m ²				
	Total Rentable Area	1,246.97 m ²				
	Occupancy Rate	100.0 %				
	Occupancy Rates over the Last Five Years	As of January 31, 2015	As of January 31, 2016	As of January 31, 2017	As of January 31, 2018	As of January 31, 2019
	100.0%	94.5%	100.0%	100.0%	100.0%	

*The total number of tenants and occupancy rate are based on projections as of the scheduled acquisition date (April 26, 2019).
*Estimated Total rental income is the estimated annual figures based on an annual average occupancy rate (91.6%) as of the scheduled acquisition date (April 26, 2019).
*Estimated NOI and Estimated NOI after depreciation are the estimated annual figure exclusive of special items of the acquisition fiscal year (not the forecast figure for the current fiscal period) as of the scheduled acquisition date (April 26, 2019).

4. Property Appraisal Summary

(JPY in thousands) (rounded down to the nearest specified unit)

Property Name: UNIZO Shimokitazawa Building	Estimation	Notes
Appraisal Firm: Daiwa Real Estate Appraisal Co., Ltd.		
Effective Date of Value	April 1, 2019	—
Type of Value	Market value	—
Appraisal Value	2,290,000	Applied the value indicated by the income approach
Value Indicated by Income Approach	2,290,000	Assessed by correlation of the value indicated by the direct capitalization method with the value indicated by the DCF method
Value Indicated by Direct Capitalization Method	2,380,000	—
(1) Operating Revenue (a.-b.)	113,635	—
a. Potential Gross Income (rental income, common area charges income, utilities reimbursement, etc.)	117,150	Assessed the stabilized assumed rental income and common area charges income of the subject property based on leasing case examples and the level of new rent of similar properties in the prime market area and the trends thereof, and by taking into consideration such factors as the medium- to long-term competitiveness of the subject property
b. Vacancy Loss	3,514	Assessed based on the current vacancy rate and the market vacancy rate
(2) Operating Expenses (c.+d.+e.+f.+g.+h.+i. +j.)	22,582	—
c. Building Maintenance Cost	5,748	Recorded that assessed based on the estimate
d. Utilities Expenses	6,336	Recorded that assessed based on the level of utilities expenses of similar properties and the past actual amount
e. Repair Expenses	1,308	Recorded the annual average repair expenses in the engineering report obtained from the client
f. Property Management Fee	2,369	Recorded that assessed, using fee level of similar properties as references
g. Tenant Solicitation Expenses, etc.	796	Recorded based on the level of tenant solicitation expenses, etc. of similar properties
h. Property Taxes	5,652	Recorded that assessed based on the fiscal 2018 actual amount
i. Property Insurance	144	Recorded that assessed based on the estimate
j. Other Expenses	226	Recorded based on the actual amount
(3) Net Operating Income (NOI) ((1)-(2))	91,053	—
(4) Investment Profits from Refundable Deposits	686	Recorded that assessed by comprehensively taking into consideration the actual state of investment of refundable deposits, etc. from the perspective of both the investment aspect and the procurement aspect
(5) Capital Expenditure	3,522	Recorded by taking the annual average renewal costs in the engineering report obtained from the client and considering the construction management fee
(6) Net Cash Flow (NCF) ((3)+(4)-(5))	88,218	—
(7) Overall Capitalization Rate	3.7%	Assessed by comprehensively considering the conditions of the subject properties, such as location, building grade and others, and using the overall capitalization rates of similar properties in the primary market area as references
Value Indicated by DCF Method	2,250,000	—
Discount Rate	3.5%	—
Terminal Capitalization Rate	3.9%	—
Value Indicated by Cost Approach	1,210,000	—
Ratio of Land Value	78.2%	—
Ratio of Building Value	21.8%	—
Reconciliation before Arriving at the Value Conclusion	The indicated value by Cost Approach looks into cost aspect of a real property. On the other hand, the indicated value by Income Approach is derived from profitability of a real property. In regard to an income-producing property valuation, the utmost importance should be placed on the value by the Income Approach. In conclusion, we have regarded the value by Cost Approach only as guide, and our concluded value is fully based on the Income Approach.	
The above appraisal value conclusion is a value opinion as of the effective date of value, indicated by the licensed real estate appraiser in conformity with the Japanese Real Estate Appraisal Act and Real Estate Appraisal Standards. A reappraisal of the same property could result in another value if it were carried out either by a different appraiser, with different methods, or at a different time. This appraisal does not guarantee or assure, at present or in the future, any sales transactions at the concluded value.		

5. Profile of the Counterparty

The name and such are not disclosed as consent from the Seller, which is a domestic business corporation, has not been received. There is no capital relationship, personnel relationship or business relationship to state between TOKYU REIT or its investment management company and the domestic business corporation, and the domestic business corporation does not fall under the category of related party of TOKYU REIT or its investment management company.

6. Status of Property Acquirers, etc. and Transactions with Interested Persons, etc.

The Property is not an acquisition from a party that has particular vested interest in TOKYU REIT or its investment management company.

Tokyu Corporation is scheduled to be the company to which TOKYU REIT is to outsource property management services of the Property, and falls under the category of related parties, etc. (Note), to which self-imposed rules of TOKYU REIT for preventing conflicts of interested are applied. Accordingly, TOKYU REIT has implemented procedures in accordance with the rules, and executed the management agreement with acquisition of the Property by TOKYU REIT as a condition precedent. Moreover, concerning the fees for the property management services, TOKYU REIT has received an opinion report from Urban Research Institute Corporation stating that, upon a comparison with the range set by other investment corporations, etc. listed on the Tokyo Stock Exchange, the fees are within the standard range.

(Note) Related parties, etc. includes interested persons, etc. specified in Article 123 of the “Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations” and refers to either of 1. through 3.below.

1. Tokyu Corporation and its subsidiaries (refers to any entity that falls under the following (i) to (iii))

(i) Tokyu Corporation

(ii) A consolidated subsidiary of Tokyu Corporation

(iii) A tokutei mokuteki kaisha (TMK) or special purpose entity (SPE) that was established based on the intention of Tokyu Corporation or a consolidated subsidiary of Tokyu Corporation and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%.

2. Affiliates within the scope of consolidation of Tokyu Corporation.

3. Tokyu Fudosan Holdings Corporation and its subsidiaries (refers to any entity that falls under the following (i) to(iii))

(i) Tokyu Fudosan Holdings Corporation (“Tokyu Fudosan Holdings”)

(ii) A consolidated subsidiary of Tokyu Fudosan Holdings

(iii)A tokutei mokuteki kaisha (TMK) or special purpose company (SPC) that was established based on the intention of Tokyu Fudosan Holdings or a consolidated subsidiary of Tokyu Fudosan Holdings and where the share of investment by undisclosed associations or other investment shares in that entity by the respective company exceeds 50%

7. Brokerage

Not applicable.

8. Schedule of the Acquisition

April 25, 2019	Decision of acquisition Execution of real estate purchase agreement Execution of property management agreement
April 26, 2019	Acquisition of the property and payment of acquisition costs (planned) Property management agreement become effective (planned)

9. Settlement Method

Payment of balance between acquisition price and disposition price will be made by lump-sum settlement at the time of delivery on April 26, 2019.

10. Financing Details

TOKYU REIT intends to fund the acquisition of the property using the borrowings.

(For details of the borrowings, please refer to the press release titled, “Notice Concerning Debt Financing” dated today.)

11. Outlook

With the acquisition of the Property, operating revenue of 26 million and operating income of 13 million for the fiscal period ending July 2019(FP 32) and operating revenue of 49 million and operating income of 23 million for the fiscal period ending January 2020 (FP 33) are expected to occur.

Accordingly, with regard to the forecast of operating conditions announced on March 14, 2019, the Acquisition will have a minimal effect on the operating conditions for the fiscal period ending July 2019(FP 32) and the fiscal period ending January 2020 (FP 33), and thus there will be no change to the forecasts.

Attachments

1. Property Portfolio after the Acquisition (as of April 26, 2019)
2. Photograph and Location Map of UNIZO Shimokitazawa Building

Attachment 1

Property Portfolio after the Acquisition (assumption figure as of April 26, 2019)

Use	Property Name	Area	Acquisition Date	Acquisition Price(million yen)	Ratio(%)*10	Appraisal Value at end of January 2019 (FP31) (million yen)
R	QFRONT	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	15,100	6.5%	30,000
R	Lexington Aoyama	Central Tokyo	September 11, 2003	4,800	2.1%	5,610
R	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu Areas (Shibuya)	September 10, 2003	5,770	2.5%	8,330
R	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu Areas (Shibuya)	March 1, 2004	6,600	2.9%	12,600
R	cocoti	Central Tokyo and Tokyu Areas (Shibuya)	April 6, 2005 *1	14,700	10.6%	21,700
			August 2, 2005 *2	9,800		
R	CONZE Ebisu	Central Tokyo and Tokyu Areas (Shibuya)	October 31, 2006	5,116	2.2%	5,130
R	Daikanyama Forum	Central Tokyo and Tokyu Areas (Shibuya)	April 22, 2008	4,136	1.8%	3,510
R	UNIZO Shimokitazawa Building	Tokyu Areas	April 26, 2019	2,257	1.0%	2,290 *11
Retail Properties Total				68,279	29.5%	89,170
O	Setagaya Business Square	Tokyu Areas	September 11, 2003	22,400	9.7%	18,700
O	Tokyu Nampo-dai-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	4,660	2.0%	6,790
O	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu Areas (Shibuya)	September 11, 2003	6,620	2.9%	10,700
O	Tokyo Nissan Taito Building	Central Tokyo	September 11, 2003	4,450	1.9%	5,860
O	TOKYU REIT Akasaka Hinokicho Building	Central Tokyo	September 10, 2003	3,570	1.5%	4,630
O	TOKYU REIT Kamata Building	Tokyu Areas	September 10, 2003	4,720	2.0%	5,390
O	TOKYU REIT Toranomom Building	Central Tokyo	December 15, 2004 *3	8,630	4.4%	12,300
			September 21, 2007 *4	1,100		
			September 21, 2007 *5	200		
			October 26, 2007 *6	140		
			January 21, 2015 *7	107		
O	Akasaka 4-chome Building (Tokyu Agency Inc. Head Office Building)	Central Tokyo	January 31, 2008	8,500	3.7%	7,260
O	Tokyu Ikejiri-ohashi Building	Tokyu Areas	March 28, 2008	5,480	2.4%	5,980
O	Kojimachi Square	Central Tokyo	March 19, 2010	9,030	3.9%	9,380
O	TOKYU REIT Shinjuku Building	Central Tokyo	March 26, 2010	9,000	3.9%	12,900
O	Akihabara Sanwa Toyo Building	Central Tokyo	October 29, 2010	4,600	2.0%	6,310
O	Tokyu Ginza 2-chome Building	Central Tokyo	February 15, 2011	5,010	2.2%	5,190
O	TOKYU REIT Shibuya R Building	Central Tokyo and Tokyu Areas (Shibuya)	August 16, 2013	5,270	2.3%	9,330
O	Tokyu Toranomom Building	Central Tokyo	August 16, 2013	15,000	7.3%	19,900
			January 9, 2015	1,850		
O	TOKYU REIT Shinjuku 2 Building	Central Tokyo	October 30, 2015	2,750	1.2%	3,200
O	Tokyu Bancho Building	Central Tokyo	March 24, 2016 *8	12,740	6.0%	14,200 1,040 *12
			March 28, 2019 *9	1,040		
O	TOKYU REIT Ebisu Building	Central Tokyo and Tokyu Areas (Shibuya)	August 1, 2018	4,500	1.9%	4,720
O	Shibuya Dogenzaka Sky Building	Central Tokyo and Tokyu Areas (Shibuya)	March 28, 2019	8,100	3.5%	8,290 *13
Office Properties Total				149,467	64.6%	171,170
C	Maison Peony Toritsudagaku	Tokyu Areas	November 15, 2017	1,200	0.5%	1,210
Complex Properties Total				1,200	0.5%	1,210
L	Shonan Mall Fill (land with leasehold interest)	Other	April 28, 2006	6,810	2.9%	6,610
L	OKI System Center (land with leasehold interest)	Other	March 27, 2013	4,530	2.0%	5,450
L	REVE Nakameguro (land with leasehold interest)	Tokyu Areas	September 27, 2018	1,150	0.5%	1,150
Land with Leasehold Interest Total				12,490	5.4%	13,210
Total				231,436	100.0%	274,760

*1 Details of the 60% portion of trust beneficiary interests acquired under quasi-co-ownership.

*2 Details of the 40% portion of trust beneficiary interests acquired under quasi-co-ownership.

*3 Floor area: 9,688.59 m²; Interest of site rights: 73,585/100,000

*4 Floor area: 865.14 m²; Interest of site rights: 8,579/100,000

*5 Floor area: 139.93 m²; Interest of site rights: 1,322/100,000

*6 Floor area: 93.93 m²; Interest of site rights: 1,166/100,000

*7 Floor area: 95.06 m²; Interest of site rights: 1,464/100,000

*8 Details of the 49.0% portion of trust beneficiary interests acquired under quasi-co-ownership.

*9 Details of the 3.6% portion of trust beneficiary interests acquired under quasi-co-ownership.

*10 Ratio is rounded to one decimal place. Accordingly, the subtotal and total may not exactly match the sum of relevant items.

*11 Appraisal value with April 1, 2019 as the effective date of value.

*12 Appraisal value with February 1, 2019 as the effective date of value.

*13 Appraisal value with February 1, 2019 as the effective date of value.

*14 As for use, properties owned by TOKYU REIT are categorized into R (retail property), O (office property), C (complexes) and L (land with leasehold interest).

Attachment 2

Photograph of UNIZO Shimokitazawa Building



Location Map of UNIZO Shimokitazawa Building

