
ACQUISITION OF STRASSE NANOKAWA

The Board of Directors of Japan Residential Assets Manager Limited, the manager (“**Manager**”) of Saizen Real Estate Investment Trust (“**Saizen REIT**”), wishes to announce the acquisition of Strasse Nanokawa by its TK operator Godo Kaisha (“**GK**”) Chosei (the “**Acquisition**”).

Introduction

GK Chosei has, on 31 August 2015, entered into a sale and purchase agreement for the acquisition of Strasse Nanokawa (“**SNK**”) from an independent party (the “**Seller**”) for a cash consideration of JPY 513,000,000 (S\$6.0 million¹) (the “**Purchase Price**”). The Acquisition was completed on the same day.

SNK is located in the Minami Ward of Fukuoka and is within 7-minutes’ walk from the Nishitetsu Hirao Station (subway Tenjin Omuta Line).

SNK was built in December 1994 and comprises 42 residential units and 20 car parking lots. GK Chosei will have full ownership of the entire building block of SNK and full title of the freehold land.

SNK is currently generating annual revenue and net property income of approximately JPY 30.5 million (S\$0.4 million) and JPY 21.8 million (S\$0.3 million) respectively, which are equivalent to about 0.8% of both Saizen REIT’s annual revenue and net property income in the financial year ended 30 June 2015.

Rationale for the Acquisition

SNK presents a unique opportunity for Saizen REIT to expand its holdings in one of the most promising markets in Japan. SNK is located in a highly desirable residential area within Fukuoka at the northern-most tip of the Minami Ward, which is adjacent to the Hakata Ward.

Currently, 39 out of 42 residential units and 5 out of 20 car parking lots are occupied. While the current occupancy rate of the car parking lots is low, the asset manager intends to adopt more pro-active leasing strategies for the car parking units after the Acquisition to increase the occupancy rate.

At the current occupancy level of 83% (by revenue), the net property income yield of SNK is about 4.2%². At the expected normalised occupancy rate of 94%, the net property income yield of SNK is expected to be about 5.0%. There is no issuance of

¹ Based on exchange rate of JPY86.0/S\$ as at 28 August 2015, which is applied throughout this announcement.

² Net property income yield is equal to net property income divided by the Purchase Price.

new Units to raise equity for the Acquisition. The Acquisition is accretive to Saizen REIT's distribution per Unit.

The Acquisition is in line with Saizen REIT's principal investment objective of investing in income-producing real estate located in Japan which is used primarily for residential and residential-related purposes, and real estate-related assets in connection with the foregoing³.

Consideration and method of financing

The Purchase Price was arrived at on an arm's length basis, taking into account, inter alia, the valuation on SNK and the prevailing market conditions (including the current market demand for such a property).

The Acquisition and its related costs are expected to be financed via internal cash resources initially. Costs to be incurred in connection with the Acquisition include registration fees, acquisition taxes, stamp duties and professional fees (for example agent, legal and valuation fees).

There will also be an acquisition fee, amounting to 1% of the Purchase Price, which is payable to the Manager (the "**Acquisition Fee**")⁴.

Property valuation

Based on a valuation as at 15 July 2015 prepared by KK Soken, an independent valuer commissioned by the Manager, SNK is valued at JPY 470.0 million (S\$5.5 million) (the "**Valuation**") when valued using the direct capitalisation method and discounted cash flow analysis method.

Based on Management's recent discussions with Saizen REIT's panel of independent valuers, it was noted that the valuers generally adopt a conservative in their valuations such that there is a general lag in timing in recognising the market uptrend. Additionally, fast-moving market conditions may not be fully reflected in the valuers' assumptions due to the lack of public market transaction data (other than those published by REITs listed in Japan) and the lack of immediate information flow. Consequently, valuations in a buoyant market typically lag behind actual market transaction prices.

For reference, the replacement cost (of constructing a similar new building and excluding the cost of land) is JPY 414.0 million⁵ (S\$4.8 million).

Investment Structure

Saizen REIT is making the Acquisition via a Japanese tokumei kumiai ("**TK**") arrangement with GK Chosei, in which Saizen REIT is the TK investor while GK Chosei is the TK operator. The relationship between the TK investor and the TK operator is governed by the TK agreement, whereby the TK investor provide funds to the TK operator in return for income derived from the investments in real estate held by the TK operator⁶.

³ Please refer to the prospectus of Saizen REIT dated 29 October 2007.

⁴ The Acquisition Fee will be payable to the Manager in the form of cash or Units or a combination of both as the Manager may in its sole discretion determine.

⁵ Based on an independent engineering report prepared in June 2015.

⁶ Please refer to Saizen REIT annual report 2014 for more details.

Interest of directors and controlling Unitholders

Save for the Acquisition Fee, none of the directors of the Manager or controlling Unitholder of Saizen REIT has any interest, direct or indirect, in the Acquisition.

Documents for inspection

Copies of the sale and purchase agreement and valuation report in respect of the Acquisition are available for inspection during normal business hours at the registered office of the Manager at 3 Anson Road, #34-01 Springleaf Tower, Singapore 079909 for three months commencing from the date of this announcement.

BY ORDER OF THE BOARD OF DIRECTORS

Chang Sean Pey (Mr.)
Co-Chief Executive Officer
Japan Residential Assets Manager Limited
(Company Registration No. 200712125H)
As Manager of Saizen Real Estate Investment Trust

31 August 2015

Important Notice

The value of units in Saizen REIT ("**Units**") and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This publication is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Saizen REIT is not necessarily indicative of the future performance of Saizen REIT.