KENEDIX
Retail REIT Corporation

Translation of Japanese Original

January 10, 2020

To All Concerned Parties

REIT Issuer:
Kenedix Retail REIT Corporation
Representative: Akihiro Asano, Executive Director
(Securities Code: 3453)

Asset Manager:
Kenedix Real Estate Fund Management, Inc.
Representative: Masahiko Tajima, President & CEO
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Notice Concerning Acquisition of Property (Shinjuku Nishiochiai Distribution Center)

Kenedix Retail REIT Corporation ("KRR") announced today that Kenedix Real Estate Fund Management, Inc. ("the Asset Manager"), the asset manager for KRR, has decided to acquire the following property.

1. Outline of the acquisition

(1)	Type of acquisition:	Real estate
(2)	Property name:	Shinjuku Nishiochiai Distribution Center
(3)	Acquisition price (Note 1):	810,000,000 yen
(4)	Appraisal NOI yield (Note 2):	4.3%
(5)	Date of contract:	January 10, 2020
(6)	Acquisition date:	January 10, 2020
(7)	Seller:	Please refer to Item 4. Seller's profile for details
(8)	Acquisition funds:	Cash on hand
(9)	Settlement method:	Payment in full at settlement

(Note 1) Excluding acquisition costs, adjustment amount of property tax and city-planning tax, consumption tax, etc.

(Note 2) "Appraisal NOI yield" is calculated by dividing the appraisal NOI of the anticipated property as on the appraisal report as of December 1, 2019 by the acquisition price for the property and rounded to the first decimal place.
"Appraisal NOI" refers to the net operating income before depreciation expenses, which is calculated by deducting the operating expenses from the operating revenues described in the appraisal report, and thus, differs from NCF (Net Cash Flow) which is calculated by adding the profit from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is the NOI calculated using the direct capitalization method.

2. Reason for the acquisition

The acquisition is made to diversify and enhance the portfolio to realize the growth of asset size and secure stable revenues, in accordance with KRR's investment targets and policies as set forth in its Articles of Incorporation. KRR makes focused investment in shopping centers for daily needs, but it has expanded its investment targets to distribution centers.
The property is the first logistics facility in Shinjuku ward in the J-REIT market. In acquiring the distribution center, KRR especially evaluated the following points.

Acquisition highlight:
Highly scarce urban distribution center for last-mile deliveries in a densely populated area

(1) Location

The property is located in a densely populated area in Shinjuku Ward. In the vicinity of the facility, warehouse space suitable for last-mile delivery is scarce. It is expected that the location of the facility will become even more important in the future along with e-commerce penetration.

(2) Features of the building

Most of the last-mile distribution centers currently have warehouse space in a corner of buildings, but Shinjuku Nishiochiai Distribution Center integrates warehouse space with truck yards. From this point, this facility is highly scarce and has optimal facility specifications as a last-mile distribution center.

(3) Tenant

Currently, a major delivery company, Yamato Transport Co., Ltd., is the tenant of the facility. Among Yamato Transport's urban distribution centers, there are only a limited number of centers with truck yards, and there are few facilities with such truck yards in the vicinity. Therefore, it is considered to be an important facility for Yamato Transport Co., Ltd. In addition, there is strong demand for logistics facilities in urban areas, and a variety of tenant candidates can be assumed for the facility, including competitors in the same industry, e-commerce operators, beverage vendors, and self-storage.

3. Details of the property

Property name		Shinjuku Nishiochiai Distribution Center
Acquisition date		January 10, 2020
Property type (Note 1)		L
Type of specified asset		Real estate
Seller		Undisclosed (Note 2)
Location		1-23-15, Nishiochiai, Shinjuku-ku, Tokyo
Land	Form of ownership	Proprietary ownership
	Land area	929.42 m^2
	Zoning	Quasi-industrial area
	Building coverage ratio	60%
	Floor-area ratio	200%
Building	Form of ownership	Proprietary ownership
	Gross floor area	784.11 m^2
	Date constructed	September 28, 1990
	Use	Offices, Warehouse
	Structure/No. of floors	S-structure/2-story building
Architect		IAO Takeda Architects Associates Co., Ltd. Tokyo branch
Construction company		Daino Construction Co., Ltd.
Construction confirmation authority		Shinjuku ward
Master lessee		-
Type of master lease		-
PM		Kenedix Real Estate Fund Management, Inc.
Sub-PM		Fukuda & Partners, Co., Ltd.
PML		6.65%
Acquisition price		810,000,000 yen
Appraisal value		815,000,000 yen (as of December 1, 2019)
Real estate appraiser		Japan Real Estate Institute
Appraisal NOI yield		4.3% (Note 2)

Collateral		None
Lease summary		(as of December 1, 2019)
	Number of tenants	1
	Annual rent	Undisclosed (Note 3)
	Tenant deposits	Undisclosed (Note 3)
	Leased area	790.52 m^2
	Leasable area	790.52 m^2
	Occupancy rate	100.0%
Remarks		・ Part of the boundary lines with adjacent land have yet to be confirmed in writing. KRR, however, has agreed with the seller that the boundary confirmation with the owner of adjacent land will be acquired at the expense and responsibility of the seller. ・ Part of this property is not in compliance with the Building Standards Act and the Fire Service Act. KRR, however, has agreed with the seller that renovation and improvement will be completed at the expense and responsibility of the seller. ・ Seller owned fences near the boundary of the properties may be cross-border in the neighborhood. KRR, however, has agreed with the seller that the cross-border memorandum with the owner of adjacent land will be signed at the expense and responsibility of the seller.
Others		Notes: 1. Properties are categorized into the following six types of properties: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center), SS (Specialty Store) and L (Logistics facility). 2. "Appraisal NOI yield" is calculated by dividing the appraisal NOI of the anticipated property as on the appraisal report as of December 1, 2019 by the acquisition price for the property and rounded to the first decimal place. "Appraisal NOI" refers to the net operating income before depreciation expenses, which is calculated by deducting the operating expenses from the operating revenues described in the appraisal report, and thus, differs from NCF (Net Cash Flow) which is calculated by adding the profit from the investment of tenant deposits to and deducting capital expenditures from NOI. The appraisal NOI here is the NOI calculated using the direct capitalization method. 3. Undisclosed as KRR has not obtained consent from the tenant.

4. Overview of the seller

The seller is a domestic company, and the name of the seller and other information are undisclosed as KRR has not obtained the seller's consent. The seller is not deemed a related party under either the Investment Trust Law or the "Retail REIT Department's Internal Regulations on Related Party Transactions" of the Asset Manager, and there is no special capital, personnel, business relationship between KRR/the Asset Manager and the seller.

5. Status of property acquirer and previous owners

Details are omitted since the seller of the property is not a special related party of KRR or the Asset Manager.

6. Details of brokerage

The broker is a domestic company, and the name of the broker and other information are undisclosed as KRR has not obtained the broker's consent. The broker is not deemed a related party under either the Investment Trust Law or the "Retail REIT Department's Internal Regulations on Related Party Transactions" of the Asset Manager, and there is no special capital, personnel, business relationship between KRR/the Asset Manager and the broker.

7. Transactions with related parties

KRR concluded a property management agreement with the Asset Manager. Fees to the Asset Manager regarding the property are at the same level as that of existing properties.

[Details of property management fee]

Property management fee (annual): Total income from properties × 2.0% (lower limit 1.2 million yen and upper limit 3.6 million yen)

Fees associated with the management of construction projects:

Construction price	Fees
Less than 1 million yen	None
1 million yen to less than 2 million yen	6%
2 million yen to less than 5 million yen	120,000 yen + 5% on the portion exceeding 2 million yen
5 million yen to less than 10 million yen	270,000 yen + 4% on the portion exceeding 5 million yen
10 million yen to less than 100 million yen	470,000 yen + 3% on the portion exceeding 10 million yen
100 million yen to less than 200 million yen	3,170,000 yen + 2% on the portion exceeding 100 million yen
200 million yen or more	5,170,000 yen + 1% on the portion exceeding 200 million yen

8. Acquisition schedule

Acquisition decision date, contract date Payment date / delivery date	January 10, 2020

9. Future outlook

There are no changes to the forecasts of financial results of KRR published in the "Financial Report for the Fiscal Period Ended September 30, 2019" dated November 15, 2019 as the impact of acquiring Shinjuku Nishiochiai Distribution Center on the financial results is minimal.

10. Summary of real estate appraisal report

Summary of real estate appraisal report			
Appraisal value	815,000,000 yen		
Appraiser	Japan Real Estate Institute		
Date of appraisal	December 1, 2019		
Item		Content	Basis
Income capitalization approach value		815,000,000 yen	Calculated by the DCF method, with the results verified using the direct-capitalization method
Value based on direct capitalization method		820,000,000 yen	Calculated by dividing the stabilized NCF by the cap rate
(1)	Gross operating revenue (Note)	Undisclosed	
	Effective gross operating revenue	Undisclosed	
	Loss from vacancy, etc.	0 yen	Calculated based on the occupancy rate level that is expected to remain stable over the medium term
(2)	Operating expenses (Note)	Undisclosed	
	Maintenance expenses	0 yen	None on assumption that the expenses are borne by the tenant

Utility expenses	0 yen	None on assumption that the expenses are borne by the tenant
Repair expenses	Undisclosed	
PM fees	1,200,000 yen	Calculated based on anticipated PM fees for the property
Tenant recruit expenses, etc.	0 yen	None assuming long-term tenancy
Taxes and dues	Undisclosed	
Insurance premium	Undisclosed	
Other expenses	Undisclosed	
(3) Net operating income (NOI= (1)-(2))	35,120,000 yen	
(4) Profit from security deposits	209,000 yen	Calculated on assumption that the investment yield is 1.0%
(5) Capital expenditure	1,710,000 yen	The average annual renovation expenses described in the engineering report plus CM fees
(6) Net cash flow (NCF=(3)+(4)-(5))	33,619,000 yen	
(7) Cap rate	4.1%	Calculated based on overall evaluation of the location, building specifications and contract terms of the property
Value based on DCF method	810,000,000 yen	
Discount rate	3.7%	Calculated based on transactions of comparable properties and by taking into account the uniqueness of the property as financial assets in terms of investment yield
Terminal cap rate	4.2%	Calculated by taking into account the characteristics of the NCF used for the capitalization rate and future uncertainties/ liquidity/ marketability of the property
Value based on cost method	841,000,000 yen	
Ratio of land	97.3%	
Ratio of building	2.7%	
Adjustments in estimated value and considerations taken into account in determining appraisal value	In recent years, with the expansion of e-commerce nationwide, there has been a growing need for logistics to directly distribute goods and products from the final point of sale to the consuming region. The property has excellent access to major highways and I.C., and it has excellent location as a warehouse (distribution center) located in the consumption region. The subject building was completed in 1990, and the facilities and specifications are standard as a warehouse (distribution center) considering the age of the building. However, stable rental income from the creditworthy lessee of Yamato Transport Co., Ltd. can be expected. In addition, since it is located in a residential area with high convenience in Shinjuku ward, the cap rate was taken into consideration as it has the potential to be substituted for other uses.	

(Note) Figures used in the direct capitalization method include information that KRR has not obtained consent from the lessee for its disclosure. Such information or figures that can make calculation of such information are not disclosed in (1) and (2) above.

KRR website address: https://www.krr-reit.com/en/

This notice is the English translation of the Japanese announcement on January 10, 2020. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

Attached materials

Reference material 1. Property photograph and map
Reference material 2. Property portfolio of KRR

Reference material 1. Property photograph and map





Reference material 2. Property portfolio of KRR

No.	Type (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
T-2	Urban Station-Front SC	MONA Shin-Urayasu	Urayasu, Chiba	February 10, 2015	8,063	9,820	3.6
T-3	Urban Station-Front SC	Passaggio Nishiarai	Adachi-ku, Tokyo	February 10, 2015	5,850	6,840	2.6
T-4	Urban Station-Front SC	Daikanyama Address Dixsept	Shibuya-ku, Tokyo	February 10, 2015	5,390	6,140	2.4
T-5	NSC	Unicus Ina	Kitaadachi-gun, Saitama	February 10, 2015 (Note 5)	4,470	5,120	2.0
T-6	NSC	Yorktown Kita-Kaname	Hiratsuka, Kanagawa	February 10, 2015	4,000	4,350	1.8
T-7	NSC	Unicus Yoshikawa	Yoshikawa, Saitama	February 10, 2015	3,600	3,850	1.6
T-8	SS	Sports Club Renaissance Fujimidai	Nerima-ku, Tokyo	February 10, 2015	2,586	2,750	1.1
T-9	NSC	Super Viva Home Iwatsuki (Land)	Saitama, Saitama	October 2, 2015	4,815	5,580	2.1
T-10	SS	K's Denki Shonan-Fujisawa (Land)	Fujisawa, Kanagawa	October 2, 2015	3,169	3,490	1.4
T-11	NSC	Unicus Kamisato (Land)	Kodama-gun, Saitama	October 2, 2015	3,000	3,050	1.3
T-12	NSC	Unicus Konosu (Land)	Konosu, Saitama	October 2, 2015	1,700	1,780	0.8
T-13	SM	Inageya Yokohama Minamihonjuku (Land)	Yokohama, Kanagawa	October 2, 2015	1,442	1,410	0.6
T-15	NSC	Nakamachidai Tokyu Store	Yokohama, Kanagawa	April 21, 2016	3,360	3,810	1.5
T-16	SS	Central Wellness Club Nagatsuta Minamidai	Yokohama, Kanagawa	April 20, 2016	1,724	1,820	0.8
T-17	SM	Life Kameido	Koto-ku, Tokyo	April 21, 2016	1,450	1,520	0.6
T-18	NSC	Totsuka-Fukaya Shopping Center (Land)	Yokohama, Kanagawa	April 19, 2017	4,170	4,320	1.8
T-19	NSC	Yumemachi Narashinodai Mall	Funabashi, Chiba	April 19, 2017	3,416	3,510	1.5
T-20	NSC	Kawamachi Yahagi Mall	Chiba, Chiba	May 18, 2017	3,097	3,220	1.4
T-21	SS	Prime Square Jiyugaoka	Meguro-ku, Tokyo	April 19, 2017	2,820	2,830	1.2
T-22	SS	Round1 Ichikawa-Onitaka	Ichikawa, Chiba	April 19, 2017	1,880	1,970	0.8
T-23	SM	Ozeki Tokiwadai	Itabashi-ku, Tokyo	February 13, 2018	1,263	1,350	0.6
T-24	SS	Konami Sports Club Shibuya	Shibuya-ku, Tokyo	April 27, 2018	3,400	3,410	1.5
T-25	NSC	Apita Terrace Yokohama Tsunashima	Yokohama, Kanagawa	November 1, 2019	5,899	6,220 (Note 7)	2.6
T-26	NSC	Kalsa Hiratsuka	Hiratsuka, Kanagawa	November 1, 2019	5,980	6,010	2.6

No.	Type (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
T-27	NSC	Monenosato Mall	Yotsukaido, Chiba	October 24, 2019	2,410	2,510	1.1
T-28	NSC	Chofu Center Building (Retail wing)	Chofu, Tokyo	October 24, 2019	2,300	2,440	1.0
T-29	NSC	Across Plaza Urayasu Higashino (Land)	Urayasu, Chiba	October 24, 2019	2,248	2,300	1.0
O-1	NSC	Blumer Maitamon	Kobe, Hyogo	February 10, 2015	8,389	9,660	3.7
O-2	SM	Life Takadono (Land)	Osaka, Osaka	February 10, 2015	2,685	3,150	1.2
O-3	NSC	DCM Kahma MEGA Don Quijote UNY Omihachiman	Omihachiman, Shiga	February 10, 2015	2,140	2,510	0.9
O-4	NSC	Blumer HAT Kobe	Kobe, Hyogo	April 16, 2015	11,000	11,500	4.9
O-5	Urban Station-Front SC	Carino Esaka	Suita, Osaka	October 2, 2015	6,555	7,190	2.9
O-6	Urban Station-Front SC	COMBOX Komyoike	Izumi, Osaka	October 2, 2015	6,450	6,580	2.9
O-7	SM	Hankyu Oasis Hirakatadeguchi	Hirakata, Osaka	October 2, 2015	1,280	1,330	0.6
O-9	SM	Life Nishi-Tengachaya	Osaka, Osaka	January 21, 2016	1,505	1,690	0.7
O-10	NSC	Million Town Tsukaguchi (Land)	Amagasaki, Hyogo	April 21, 2016	3,723	3,980	1.6
O-11	NSC	Habikigaoka Shopping Center	Habikino, Osaka	September 27, 2019	2,000	2,020	0.9
N-1	SS	DCM Kahma Nakagawa Tomita (Land)	Nagoya, Aichi	February 10, 2015	2,311	2,700	1.0
N-2	NSC	Valor Ichinomiya-Nishi	Ichinomiya, Aichi	February 10, 2015	2,174	2,360	1.0
N-4	SS	Homecenter Kohnan Sunadabashi	Nagoya, Aichi	April 21, 2016	7,140	7,300	3.2
N-5	SS	K's Denki Shin-Moriyama (Land)	Nagoya, Aichi	November 1, 2016	1,370	1,440	0.6
N-6	NSC	Resora Obu Shopping Terrace	Obu, Aichi	August 1, 2017	7,911	7,060	3.5
N-7	SM	Valor Nakashidami (Land)	Nagoya, Aichi	November 1, 2019	2,551	2,560	1.1
F-1	SM	Sunny Noma	Fukuoka, Fukuoka	February 10, 2015	1,497	1,630	0.7
F-2	SS	Round1 Stadium Hakata-Hanmichibashi	Fukuoka, Fukuoka	April 19, 2017	5,020	5,720	2.2
F-3	NSC	Kurume-Nishi Shopping Center	Kurume, Fukuoka	April 19, 2017	1,515	1,800	0.7
R-1	NSC	Roseo Mito	Mito, Ibaraki	February 10, 2015 (Note 6)	10,046	11,800	4.4
R-2	SS	K's Denki Aomori Honten	Aomori, Aomori	February 10, 2015	1,469	1,580	0.7

No.	Type (Note1)	Property name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Appraisal value (million yen) (Note 3)	Share (%) (Note 4)
R-3	SS	Super Sports Xebio Aomori-Chuo	Aomori, Aomori	February 10, 2015	898	939	0.4
R-4	NSC	Ashico Town Ashikaga	Ashikaga, Tochigi	October 2, 2015	4,180	5,030	1.9
R-5	NSC	Yorktown Shinden-Higashi	Sendai, Miyagi	October 2, 2015	3,252	3,340	1.4
R-6	SM	Kasumi Technopark Sakura	Tsukuba, Ibaraki	October 2, 2015	830	877	0.4
R-8	NSC	P-1 Plaza Tenno	Hamamatsu, Shizuoka	April 22, 2016	4,010	4,350	1.8
R-9	NSC	Seiyu Rakuichi Moriya (Land)	Moriya, Ibaraki	January 31, 2017	4,111	4,240	1.8
R-10	NSC	Sun Street Hamakita	Hamamatsu, Shizuoka	April 27, 2017	10,746	11,160 (Note 7)	4.8
R-11	SS	Costco Wholesale Sapporo Warehouse	Sapporo, Hokkaido	May 31, 2018	4,210	4,410	1.9
L-1	L	Zama Distribution Center	Zama, Kanagawa	April 5, 2019	1,400	1,640	0.6
L-2	L	Oppama Distribution Center	Yokosuka, Kanagawa	April 5, 2019	1,300	1,570	0.6
L-3	L	Musashi Ranzan Distribution Center	Hiki-gun, Saitama	March 26, 2019	3,879	4,000 (Note 7)	1.7
L-4	L	Yokohama Kamigo Distribution Center	Yokohama, Kanagawa	April 11, 2019	790 (Note 8)	840	0.3
L-5	L	Gyoda Distribution Center	Gyoda, Saitama	October 1, 2019	3,160	3,350	1.4
L-6	L	Shinjuku Nishiochiai Distribution Center	Shinjuku-ku, Tokyo	January 10, 2020	810	815	0.4
Total/Average					225,810	243,541	100.0

(Note 1) Properties are categorized into the following six types of properties: NSC (Neighborhood Shopping Center), SM (Supermarket), CSC (Community Shopping Center), Urban Station-Front SC (Urban Station-Front Shopping Center), SS (Specialty Store) and L (Logistics facility).

(Note 2) "(Anticipated) acquisition price" indicates the purchase price of each property specified in purchase agreement in relation to the acquisition of each property (excluding acquisition costs, adjustment in property tax and city-planning tax, and consumption tax; and rounded down to the nearest one million yen). (As for the properties with building expansion, the price includes the amount described in the construction contract and construction design/supervision outsourcing contracts related to construction of the building for the secondhand shop building (excluding expenses and taxes and rounded down to the nearest million yen).

(Note 3) "Appraisal values" are the values as of the end of September 2019 for the properties held as of September 30, 2019, as of September 1, 2019 for Apita Terrace Yokohama Tsunashima, Kalsa Hiratsuka, Monenosato Mall, Chofu Center Building (Retail wing), Across Plaza Urayasu Higashino (Land), Valor Nakashidami (Land) and Gyoda Distribution Center and as of December 1, 2019 for Shinjuku Nishiochiai Distribution Center.

(Note 4) "Share" indicates the percentage of the (anticipated) acquisition price for each property in the total (anticipated) acquisition price, rounded down to the first decimal place.

(Note 5) A restaurant building additionally acquired on January 16, 2017.

(Note 6) A second-hand store building additionally acquired on November 26, 2015.

(Note 7) Represents the amount corresponding to the trust beneficiary co-ownership interest.

(Note 8) Assumed construction cost for property expansion of Yokohama Kamigo Distribution Center is not included.