

Translation Purpose Only

December 6, 2005

To All Concerned Parties

Kenedix Realty Investment Corporation  
2-6-2 Marunouchi, Chiyoda-ku, Tokyo  
Taisuke Miyajima, Executive Director  
(Securities Code: 8972)

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### **Notice Concerning the Acquisition of Property (Venus Hibarigaoka)**

Kenedix Realty Investment Corporation (“the Investment Corporation”) announced its decision on December 6, 2005 to acquire the Venus Hibarigaoka. Details are provided as follows.

#### **1. Outline of the Acquisition**

- (1) Type of Acquisition : Trust beneficiary interest in real estate
- (2) Property Name : Venus Hibarigaoka
- (3) Acquisition Price : ¥1,800,000,000 (excluding acquisition costs, property tax, city-planning tax, and consumption tax, etc.)
- (4) Date of Acquisition : December 8, 2005  
Contract
- (5) Scheduled Date of Acquisition : December 8, 2005
- (6) Seller : Libera Corporation (Refer to Item 4. Seller’s Profile for details)
- (7) Acquisition Funds : Debt financing and own funds
- (8) Settlement Method : Payment in full on settlement

The aforementioned Venus Hibarigaoka shall hereafter be referred to as “the Property.”

#### **2. Reason for Acquisition**

The acquisition was made to raise the investment ratio of residential buildings in regional areas, and to further enhance and stabilize the Investment Corporation’s overall investment portfolio, in accordance with its Articles of Incorporation and fundamental investment policies.

Prior to its decision, the Investment Corporation undertook due diligence, considering a number of factors including the following.

##### **(1) Area**

The Property is located in a highly popular residential area in the eastern part of Sapporo. The Property is conveniently located approximately five minutes on foot from Hibarigaoka Station on the Tozai Subway Line, which is 18 minutes to Odori Station in the heart of Sapporo and only one stop (two minutes) from New Sapporo Station, a newly emerging city center where many shops are concentrated. The area also

provides a number of facilities to enhance everyday convenience, including public facilities such as government offices, parks and schools, as well as supermarkets, convenience stores and medical clinics.

(2) Building

The Property is a residential complex with a total of 159 units in three separate buildings of equal dimensions. Housing units are 3LDK or 4LDK family-type units ranging from 68.51 m<sup>2</sup> to 89.98 m<sup>2</sup>. The Property also boasts high-grade internal features among leasing residences in the area, including all-electric systems, cable television, trunk rooms and a parking area that accommodates 117 vehicles, sufficiently meeting the demands of tenants.

(3) Tenants

The Property is used by a wide variety of families, including as company rental housing for major corporations in Hokkaido and Honshu, and as a rental residence for employees who work in Sapporo. We expect to maintain a certain occupancy rate due to the convenient access to the center of Sapporo and the New Chitose Airport Terminal, as well as the pleasant living environment and the luxurious atmosphere provided by the facilities.

### 3. Property Details

Property Name		Venus Hibarigaoka
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		Mizuho Trust & Banking Co., Ltd.
Trust Term		December 8, 2005 to August 1, 2015
Current Owner / Acquisition Date		Libera Corporation / August 1, 2005 (Note 1)
Previous Owner / Acquisition Date		Higashinihon Ferry Corporation / May 30, 1989 (Note 2)
Location (Address)		1) 2-24-1 Atsubetsu Minami Atsubetsu-ku, Sapporo, Hokkaido 2) 2-25-1 Atsubetsu Minami Atsubetsu-ku, Sapporo, Hokkaido 3) 2-26-1 Atsubetsu Minami Atsubetsu-ku, Sapporo, Hokkaido
Usage		Residential complex
Type of Structure		Family type
Structure		1) Steel reinforced concrete with flat roof, six floors 2) Steel reinforced concrete with flat roof, five floors 3) Steel reinforced concrete with flat roof, six floors
Site Area	Land	8,595.00 m <sup>2</sup>
	Building	14,976.25 m <sup>2</sup> (Note 3)
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Completion Date		March 13, 1989
Construction Company		Shimizu Corporation
Probable Maximum Loss		6.48% (SOMPO JAPAN RISK MANAGEMENT, INC.)
Acquisition Price		¥1,800,000,000
Appraisal	Appraisal Value	¥1,800,000,000
	Base Date for Appraisal	December 1, 2005
	Appraiser	Nippon Tochi-Tatemono Co., Ltd.
	Details	Please refer to Reference Material 1.

Existence of Secured Interests after Acquisition	None
Masterlease Company and Property Management Company after Acquisition	Kenedix Advisors Co., Ltd.
Total Leasable Floor Space	12,829.64 m <sup>2</sup> (As of November 11, 2005. The same applies below. (Note 4)
Total Leased Floor Space	10,262.84 m <sup>2</sup> (Note 4)
Occupancy Ratio	79.9% (Note 4)
Total Leasable Units	159 (Note 4)
Total Leased Units	128 (Note 4)
Monthly Rental Income (Excluding Consumption Tax)	¥8,487,100 (Note 5)
Security and Guarantee Deposit	¥16,014,650 (Note 5)
Forecast Net Operating Income	Please refer to Reference Material 2.
Special Considerations	None
Other	<p>Notes:</p> <ol style="list-style-type: none"> <li>The current owner is the surviving company of a merger with the previous owner that took place on August 1, 2005.</li> <li>The previous owner acquired the land and the building on different dates, and the acquisition date for the building is used here.</li> <li>The figure indicates the total for the three buildings. The figure does not include the area of the following structures that are attached to buildings 1) through 3). <ol style="list-style-type: none"> <li>Type: Storage; Structure: Flat, concrete block structure with galvanized steel; Floor space: 114.67 m<sup>2</sup></li> <li>Type: Management office; Structure: Flat, steel reinforced concrete structure with flat roof; Floor space: 46.36 m<sup>2</sup></li> <li>Type: Storage; Structure: Flat, concrete block structure with galvanized steel; Floor space: 141.70 m<sup>2</sup></li> <li>Type: Storage; Structure: Flat, concrete block structure with galvanized steel; Floor space: 154.05 m<sup>2</sup></li> </ol> </li> <li>The figure includes an area of 2,814.88 m<sup>2</sup> (35 units, all occupied) that will be leased after the acquisition by the Investment Corporation. As of November 11, 2005, the current owner is using this area.</li> <li>Monthly rental income and guarantee deposit information is exclusive of parking facility amounts. In addition, the figure does not include the amount for the 35 units mentioned in 4. above that will be leased after the acquisition by the Investment Corporation.</li> </ol>

#### 4. Sellers' Profile

Company Name	Libera Corporation
Head Office Address	1-4-24 Chuo Kure-city Hiroshima, Japan (Libera Building)
Representative	Kenji Yamamoto, Representative Director
Capital	¥230 million
Principal Shareholder	Kenji Yamamoto
Business Activities	Marine transport industry and others

Relationship with the Investment Corporation	None
Special Items	None

\*As of December 1, 2005

## 5. Interested-Party Transactions

Related to the acquisition of the Property, transactions between the Investment Corporation and interested parties, or between the Investment Corporation and interested-parties as defined under the Asset Management Company’s internal rules and regulations, shall fall under the three categories of transactions (1) through (3) below.

Kenedix REIT Management, Inc. (“the Asset Management Company), bound by its rules as they relate to interested-party transactions, worked to ensure strict compliance with statutory and other regulatory requirements. Furthermore, in order to ensure that the transactions were conducted in an open and fair manner and that the Investment Corporation was not disadvantaged, the Asset Management Company submitted all transactions for deliberation and approval by the Compliance Committee and the Asset Management Committee. Subject to approval, each transaction was then submitted to the Board of Directors for ratification.

In accordance with the Investment Trust Law, the Asset Management Company shall provide a report to the Investment Corporation relating to the interested-party transactions.

### (1) Appointment of a Property Management Company

The Investment Corporation plans to execute a property management agreement with Kenedix Advisors Co., Ltd. (“KDA”) on December 8, 2005. Other parties to the agreement include the property trust trustee and the Asset Management Company.

KDA qualifies as an interested-party as defined under the Investment Trust Law and the internal rules and regulations of the Asset Management Company. Fees relating to property management remain at the same level.

#### Outline of Property Managements Fees:

- Leasing management fees  
Rental income x 2% + real estate operating income after management overhead expenses and before depreciation x 2%
- Management transfer fees

Property (Trust Beneficiary Interest) Price	Management Transfer Fee (At the time of Purchase and Sale)
¥1.0 billion and more, and less than ¥3.0 billion	¥2.0 million

### (2) Master Lease of the Property

The Investment Corporation plans to execute an amendment to the masterlease agreement with KDA on December 8, 2005. Other parties to the agreement include the property trust trustee and the Asset Management Company.

#### 【Principal agreement terms and conditions】

- Agreement term: From the date of agreement execution through August 1, 2015
- Type of masterlease: Pass-through

(3) Concurrent Liability Assumption Memorandum

The Investment Corporation plans to execute a concurrent liability assumption memorandum with KDA on December 8, 2005. Under the memorandum, the Investment Corporation agrees to assume a concurrent commitment together with KDA to refund security and guarantee deposits which KDA as Master lessee had received from subtenants in connection with the masterlease agreement. As compensation for this liability assumption, KDA shall provide to the Investment Corporation an amount equivalent to the total of security and guarantee deposits received.

**6. Outlook**

There are no revisions to the forecast for the fiscal period ending April 30, 2006 as a result of the acquisition of the Property.

<p>This notice is the English translation of the Japanese announcement on our Web site released on December 6, 2005. However, no assurance or warranties are given for the completeness or accuracy of this English translation.</p>
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**Attached Materials**

1. Outline of Property Appraisal
2. Projected Cash Flow
3. Property Photograph
4. Property Portfolio after Acquisition of the Property

**Reference Material 1**

**Outline of Property Appraisal**

Unit: Yen	
Appraisal Value	1,800,000,000
Base Date for Appraisal	December 1, 2005
Appraiser	Nippon Tochi-Tatemono Co., Ltd.
Value Calculated Using the Direct Capitalization Method	1,840,000,000
Gross Operating Revenue	174,329,000
Maximum Gross Operating Revenue	189,404,000
Shortfall Attributed to Vacancies	15,075,000
Operating Expenses	44,443,000
Administrative and Maintenance Expense	21,498,000
Taxes and Dues	17,575,000
Other Expenses	5,370,000
Net Operating Income (NOI)	129,886,000
Capital Expenditure	20,000,000
Gain on Guarantee Deposit Investment	707,000
Net Cash Flow (NCF)	110,593,000
Overall Capitalization Rate (NCF)	6.0%
Value Calculated Using the Discounted Cash Flow Method	1,760,000,000
Discount Rate	5.5%
Terminal Capitalization Rate	6.2%
Value Calculated Using the Cost Method	1,710,000,000
Land	33.5%
Building	66.5%

**Reference Material 2**

**Projected Cash Flow**

Unit: Millions of yen	
A . Projected Operating Revenues	167
B . Projected Operating Expenses (excluding depreciation)	48
C . Projected N O I ( A - B )	119

Underlying assumptions:

- 1 . The above projected cash flow is an estimate for one year and is exclusive of extraordinary factors of the year of acquisition.
- 2 . Revenues are based on an estimated occupancy ratio of 90%.
- 3 . Expenses include property management fees, taxes and dues, repairs and maintenance expenses, and insurance.

**Reference Material 3**

**Property Photograph**



## Reference Material 4

### Property Portfolio after Acquisition of the Property

Type of use	Area	No.	Property Name	Acquisition Price (Millions of Yen)	Ratio	Acquisition Date
Office Buildings	Tokyo Metropolitan area	A-13	Belles Modes Building	5,950	7.7%	November 1, 2005
		A-1	Nihonbashi 313 Building	5,940	7.7%	August 1, 2005
		A-2	Sogo Hirakawacho Building	5,180	6.7%	August 1, 2005
		A-3	Higashi-Kayabacho Yuraku Building	4,450	5.7%	August 1, 2005
		A-4	Noir Hatchobori	3,680	4.7%	August 1, 2005
		A-5	K&Y Building (Southern Plaza)	2,533	3.2%	August 1, 2005
		A-6	Harajuku F.F.Building	2,450	3.1%	August 1, 2005
		A-7	FIK Minami Aoyama	2,270	2.9%	August 1, 2005
		A-8	Kanda Kihara Building	1,950	2.5%	August 1, 2005
		A-9	NNK Building	1,610	2.0%	August 1, 2005
	A-10	Koishikawa Yoshida Building	704	0.9%	August 1, 2005	
	Other Regional areas	A-12	Portus Center Building	5,570	7.2%	September 21, 2005
		A-11	Hakata-Ekimae Dai-2 Building	1,430	1.8%	August 1, 2005
Total of 13 Office Buildings				43,717	56.8%	
Residential Properties	Tokyo Metropolitan area	B-1	Storia Sirokane	3,150	4.0%	August 1, 2005
		B-2	Tre di Casa Minami Aoyama	2,460	3.1%	August 1, 2005
		B-3	Court Mejiro	1,250	1.6%	August 1, 2005
		B-4	Apartments Motoazabu	1,210	1.5%	August 1, 2005
		B-5	Apartments Wakamatsu-Kawada	1,180	1.5%	August 1, 2005
		B-6	Court Nihonbashi-Hakozaki	1,130	1.4%	August 1, 2005
		B-7	Side Denenchofu	1,110	1.4%	August 1, 2005
		B-8	S-court Yokohama-Kannai	945	1.2%	August 1, 2005
		B-9	Court Motoasakusa	880	1.1%	August 1, 2005
		B-10	Storia Todoroki	877	1.1%	August 1, 2005
		B-11	Bloom Omotesando	875	1.1%	August 1, 2005
		B-12	Clair Court Rokakouen	831	1.0%	August 1, 2005
		B-13	Human Heim Okachimachi	830	1.0%	August 1, 2005
		B-14	Court Shinbashi	748	0.9%	August 1, 2005
		B-15	Court Suitengu	659	0.8%	August 1, 2005
	Other Regional areas	B-18	Venus Hibarigaoka	1,800	2.3%	December 8, 2005
		B-16	Abreast Hara	444	0.5%	August 1, 2005
		B-17	Abreast Hirabari	407	0.5%	August 1, 2005
Total of 18 Residential Properties				20,786	27.0%	
Retail Facilities	Tokyo Metropolitan area	C-1	Jinnan-zaka Frame	9,900	12.8%	August 1, 2005
		C-2	Yoyogi M Building	2,479	3.2%	September 30, 2005
Total of 2 Retail Facilities				12,379	16.1%	
Total of 33 properties				76,882	100.0%	Portfolio PML : 5.84%

\*Figures of less than one million yen are rounded off from acquisition prices, and ratios are rounded off to the second decimal place.