

Translation Purpose Only

December 9, 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 (Conclusion of an Agreement)  
(Collection Higashisakura)**

Kenedix Realty Investment Corporation (“the Investment Corporation”) announced its decision on December 9, 2005 to acquire the Collection Higashisakura. Details are provided as follows.

**1. Outline of the Acquisition**

- (1) Type of Acquisition : Trust beneficiary interest in real estate
- (2) Property Name : (Tentative Name) Collection Higashisakura
- (3) Scheduled Acquisition Price : ¥1,264,000,000  
Excluding acquisition costs, property tax, city-planning tax, consumption tax, etc.  
The acquisition price may increase or decrease in the event of future changes to the current design and specification plans.  
Real estate acquisition taxes related to new building construction, and registration and license taxes related to the description record and initial title registration of the building shall be borne by the seller.
- (4) Seller : WOOD FRIENDS Co., Ltd. (Refer to Item 4. Seller’s Profile for details)
- (5) Date of Acquisition Contract : December 9, 2005
- (6) Scheduled Date of Acquisition : Date to be agreed upon by the seller and the Investment Corporation, in principle by May 20, 2006.
- (7) Acquisition Funds : Debt financing and own funds
- (8) Settlement Method : Payment in full on settlement

The aforementioned Collection Higashisakura shall hereafter be referred to as “the Property.”

**2. Reason for Acquisition**

The acquisition was made to raise the investment ratio in regional area residences, 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 Takaoka region where the Property is located consists of office and residential properties on the east side of the Sakae district, the Nagoya area's largest commercial and business district. Not only is the Property within walking distance of the Sakae area, it is also approximately one minute on foot to Takaoka Station on the Sakura-dori Line of the Nagoya City Subway. Just four stops (six minutes) from Nagoya Station, this competitive location in the heart of Nagoya with its proximity to Takaoka Station provides the Property with a high-degree of convenience in terms of accessibility.

(2) Building

The Property is a residential complex with a total of 65 units from floors 2-14 (five units per floor), and a retail shop on the ground floor. Residential units are 1DK or 1LDK (approximately 39 m<sup>2</sup> per unit) compact-type units equipped with all-electric systems, 14 x 16 size unit baths, large mail boxes capable of receiving packages, auto-lock systems and other features. Together with the standard 2.7 m ceilings, the Property boasts facilities and specifications that are more than sufficient to meet tenants' needs.

(3) Tenants

The Investment Corporation expects the Property to attract primarily white-collar households from other metropolitan areas (households of workers being transferred), company employees stationed in Nagoya without their families, and Double Income No Kids (DINKS) households. The convenience of being located near the city center, as well as the competitive strength of the units' facilities and specifications are expected to lead to a stable occupancy rate over the mid- to long-term.

(4) Relevance and Risk Reduction of Investment in Properties under Construction

Generally speaking, reaching transaction agreements while a property is still being constructed, and acquiring the property after construction is completed enables acquisitions under more favorable conditions than purchasing existing properties that are already being used. The Investment Corporation considers the early securing of properties still under construction to be one effective strategy of adding prime new properties to its portfolio.

Because the Property is still under construction, there are certain future inheritant risks (uncertainties), including risks related to the completion of construction, construction delays, real estate market risks and others.

The Investment Corporation seeks to reduce such risks through the following measures.

**Risks related to the completion of construction and construction delays**

- Approximately one year has passed since the confirmation of construction was obtained in December 2004. The transaction agreement was reached with only three months remaining until the scheduled completion of construction.
- In principle, construction is conducted based upon the content of design and specifications designated in the transaction agreement. The Investment Corporation receives regular reports from the seller regarding the progress of construction and

related conditions.

- The Investment Corporation shall judge whether or not there are any flaws with the result of building inspections conducted after the completion of construction, or whether there are any defects with the building itself as a condition for the acquisition of the Property to be carried out.

**Real estate market risk**

- We conduct investigation into leasing rate and property value levels by using third party perspectives, including leasing market reports received from leasing specialists, price surveys by real estate appraisers and other sources.
- The limit for the seller to transfer the Property to the Investment Corporation is established as two months from the scheduled completion of building construction. The Property is to be transferred after a certain period of leasing activity has been conducted by the seller.
- Kenedix Advisors Co., Ltd. shall conduct leasing and management operations as the masterlease company and property management company on behalf of the seller during the abovementioned period before the transfer of the Property.

**3. Property Details**

Property Name		(Tentative Name) Collection Higashisakura
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		Unspecified (Note 1)
Trust Term		Unspecified (Note 1)
Current Owner / Acquisition Date		WOOD FRIENDS Co., Ltd. / Land in below: November 5, 2004 Land in below: December 25, 2004 (Note 2)
Previous Owner / Acquisition Date		Lot number 509 (100% ownership), lot number 516 (100 % ownership), lot number 508-1 (portion of co-ownership: 1299/9920) ...Sato Kogyo Co., Ltd./July 30, 1990 Lot number 508-1 (portion of co-ownership: 8621/9920) ...J-net Rental & Lease CO., Ltd. / July 29, 2004 (Note 2)
Location (Address)		1-5-21 Higashisakura, Higashi-ku, Nagoya, Aichi
Usage		Residential • Commercial (Note 3)
Type of Structure		Compact type (Note 3)
Structure		Steel Reinforced Concrete, 14 floors (Note 3)
Site Area	Land	462.52 m <sup>2</sup>
	Building	3,284.54 m <sup>2</sup> (Note 3)
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Scheduled Completion Date		March 20, 2006
Construction Company		Sato Kogyo Co., Ltd (Note 4)
Confirmation of Construction	Building	December 10, 2004; 2004 Confirmation service number S423-1491 (Note 4)

	Facilities (Elevator)	October 7, 2005; 2005 Confirmation service number S525-1309 (Note 4)
Probable Maximum Loss		12.20% (SOMPO JAPAN RISK MANAGEMENT, INC.) (Note 5)
Acquisition Price		¥1,264,000,000 (Note 6)
Price Survey	Survey Value	¥1,274,000,000 (Note 5) (Note 7)
	Base Date for Survey	October 14, 2005
	Surveyor	Chuo Real Estate Appraisal Co., Ltd.
	Details	Please refer to Reference Material 1.
Existence of Secured Interests after Acquisition		None
Masterlease Company and Property Management Company after Acquisition		Unspecified (Note 8)
Total Leasable Floor Space		2,655.31 m <sup>2</sup> (Including 1 <sup>st</sup> floor-shop space of 76.11 m <sup>2</sup> ) (Note 3)
Total Leased Floor Space		-
Occupancy Ratio		-
Total Leasable Units		66 units (One shop on the first floor included) (Note3)
Total Leased Units		-
Monthly Rental Income (Excluding Consumption Tax)		-
Security and Guarantee Deposit		-
Forecast Net Operating Income		Please refer to Reference Material 2.
Special Considerations	None	
Other	<p>Notes:</p> <ol style="list-style-type: none"> <li>1. The Property shall be transferred from the seller to a domestic trust bank under a real estate trust.</li> <li>2. Because the building is currently under construction, each land acquisition date is shown.</li> <li>3. Figures shown are based upon the current blueprint for the building, and are subject to future changes. The Investment Corporation shall judge whether or not there are any flaws with the result of building inspections conducted after the completion of construction, or whether there are any defects with the building itself as a condition for the acquisition of the Property to be carried out.</li> <li>4. The building design is being carried out by K-PLAN Ltd. and structural design is being conducted by Sanjo Sekkei Ltd. The building and facilities are being inspected by Kakunin Service Inc. (Former company name: Aichi Tatemono Kakunin Kensa Service Inc.)</li> <li>5. Figures and prices shown are based upon current design and specifications.</li> </ol>	

	<p>6. (1) Figure does not include acquisition fees, property tax, city planning tax or consumption tax.  (2) The acquisition price may increase or decrease in the event that there are future changes to the current design and specifications.  (3) Real estate acquisition taxes related to new building construction, and registration and license taxes related to the description record and initial title registration of the building shall be borne by the seller.</p> <p>7. Because the building is under construction, an inspection of the Property has not been conducted. Accordingly, the survey price is assigned by an appraiser that, at the time of the survey, assumes that building construction will be completed as scheduled and assigns a price in accordance with real estate appraisal methods. The survey price recorded here differs from that of the appraisal price as determined by Article 2, Paragraph 1 of the Law Concerning Real Estate Appraisal.</p> <p>8. Kenedix Advisors Co., Ltd. shall conduct leasing and management operations as the masterlease company and property management company on behalf of the seller during the period from the completion of construction until the transfer of the Property.</p>
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#### 4. Seller's Profile

Company Name	WOOD FRIENDS Co., Ltd.
Head Office Address	3-27-24 Tsutsui, Higashi-ku, Nagoya, Aichi
Representative	Kazuhiko Maeda, Representative Director
Capital	¥279.125 million
Principal Shareholder	Kazuhiko Maeda
Business Activities	Real estate (leasing, intermediary, buying and selling, planning and construction, etc.)
Relationship with the Investment Corporation	None
Special Items	None

\*As of May 31, 2005

#### 5. Interested-Party Transactions

No transactions took place with interested parties or with interested parties as defined according to internal regulations of the asset management company during the conclusion of the acquisition agreement for the Property.

**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.

**7. Other**

The Investment Corporation plans to disclose further information related to the acquisition of the Property at the time of the acquisition.

This notice is the English translation of the Japanese announcement on our Web site released on December 9, 2005. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

**Attached Materials**

1. Outline of Price Survey
2. Projected Cash Flow
3. Property Image

**Reference Material 1**

**Outline of Price Survey**

<b>Unit: Yen</b>	
Survey Price	1,274,000,000
Base Date for Survey	October 14, 2005
Surveyor	Chuo Real Estate Appraisal Co., Ltd.
Value Calculated Using the Direct Capitalization Method	1,312,000,000
Gross Operating Revenue	93,196,000
Maximum Gross Operating Revenue	94,585,000
Shortfall Attributed to Vacancies	4,699,000
Gain on Guarantee Deposit Investment	3,310,000
Operating Expenses	19,289,000
Administrative and Maintenance Expense	10,083,000
Taxes and Dues	7,206,000
Other Expenses	2,000,000
Net Operating Income (NOI)	73,907,000
Capital Expenditure	3,061,000
Net Cash Flow (NCF)	70,846,000
Overall Capitalization Rate (NCF)	5.4%
Value Calculated Using the Discounted Cash Flow Method	1,274,000,000
Discount Rate	5.1%
Terminal Capitalization Rate	5.9%
Value Calculated Using the Cost Method	909,000,000
Land	26.0%
Building	74.0%

**Reference Material 2**

**Projected Cash Flow**

<b>Unit: Millions of yen</b>	
A. Projected Operating Revenues	91
B. Projected Operating Expenses (excluding depreciation)	15
C. Projected NOI (A-B)	76

**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 93%.
3. Expenses include property management fees, taxes and dues, repairs and maintenance expenses, and insurance.

**Reference Material 3**

Property Image

(The above is a conceptual image of the completed building based upon blueprint specifications, and may differ from the actual completed property.)

