

Translation Purpose Only

March 14, 2006

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 (Hamacho Hanacho Building)**

Kenedix Realty Investment Corporation (“the Investment Corporation”) announced its decision on March 14, 2006 to acquire the Hamacho Hanacho Building. Details are provided as follows.

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

- (1) Type of Acquisition : Trust beneficiary interest in real estate
- (2) Property Name : Hamacho Hanacho Building
- (3) Acquisition Price : ¥2,300,000,000 (excluding acquisition costs, property tax, city-planning tax, and consumption tax, etc.)
- (4) Date of Contract : March 16, 2006
- (5) Scheduled Date of Acquisition : March 16, 2006
- (6) Seller : Goumei Kaisha Hanacho (Refer to Item 4. Seller’s Profile for details)
- (7) Acquisition Funds : Debt financing
- (8) Settlement Method : Payment in full on settlement

The aforementioned Hamacho Hanacho Building shall hereafter be referred to as “the Property.”

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

The acquisition was made to raise the investment ratio of office buildings in the Tokyo Metropolitan area, 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 Nihonbashi-Hamacho, an area with many well-known features such as Amazake Yokocho, a bustling shopping street that connects Nihonbashi-Ningyocho and Meijiza Theater. The area retains much of its historic flavor. In recent years, Nihonbashi-Hamacho has experienced significant construction of large-scale office buildings and condominiums. Today, the area offers a mix of traditional

Japanese history in harmony with modern living that caters to offices, retail stores and condominiums of every shape and size.

Situated approximately two minutes on foot from Hamacho Station on the Toei Shinjuku Line, approximately six minutes on foot from Ningyocho Station on the Tokyo Metro Hibiya and Toei Asakusa Lines and approximately seven minutes on foot from Suitengu-mae Station on the Tokyo Metro Hanzomon Line, the Property is serviced by four subway lines with access via three stations. In close proximity to the Hakozaki exit of the metropolitan expressway and Tokyo City Air Terminal, the Property boasts easy access and convenience.

#### (2) Building

The Property's external façade boasts a granite surface and glass curtain wall. With a wide frontage and entrance, the Property offers a sophisticated and tranquil atmosphere. Constructed to the highest specifications, each office area maintains office automation floors, system ceilings and individual air-conditioning and ventilation.

The existing owner used the ninth and tenth floors of the Property as a restaurant and personal residence. The Property shall be acquired on a current status basis. The existing owner has vacated the premises. The Investment Corporation plans to renovate the aforementioned areas in line with tenant needs and requirements.

#### (3) Tenants

Excluding the top two floors, floors one through eight are fully occupied by offices and retail stores. The Property maintains a diverse tenant profile including a kimono store, publishing company, incorporated association and commodity futures trader.

### 3. Property Details

Property Name		Hamacho Hanacho Building
Type of Specified Asset		Trust beneficiary interest in real estate
Trustee		Mizuho Trust & Banking Co., Ltd.
Trust Term		March 16, 2006 to August 1, 2015
Current Owner / Acquisition Date		Goumei Kaisha Hanacho / March 28, 1958 (Note 1)
Previous Owner / Acquisition Date		One individual / April 27, 1943 (Note 1)
Location (Address)		2-17-8, Nihonbashi-Hamacho, Chuo-ku, Tokyo
Usage		Shops, Offices, Residential, Parking
Structure		Flat-roofed steel-reinforced concrete structure; two underground and ten aboveground floors
Site Area	Land	554.80 m <sup>2</sup>
	Building	4,133.47 m <sup>2</sup>
Type of Ownership	Land	Proprietary ownership
	Building	Proprietary ownership
Completion Date		September 30, 1993
Construction Company		Tokyu Construction Co., Ltd.
Probable Maximum Loss		12.10% (SOMPO JAPAN RISK MANAGEMENT, INC.)
Acquisition Price		¥2,300,000,000
Appraisal	Appraisal Value	¥2,330,000,000

	Base Date for Appraisal	March 1, 2006
	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.
Number of End Tenants		5 (as of December 31, 2005. The same applies below. )
Total Leasable Floor Space		3,048.54 m <sup>2</sup> (Note 2)
Total Leased Floor Space		2,661.80m <sup>2</sup>
Occupancy Ratio		87.31%
Monthly Rental Income (Excluding Consumption Tax)		¥13,106,915 (Note 3)
Security and Guarantee Deposit		¥127,002,252 (Note 3)
Forecast Net Operating Income		Please refer to Reference Material 2.
Special Considerations		Relevant parties have undertaken an onsite inspection to confirm boundaries with adjoining properties. Written confirmation for a portion of the Property's boundaries is yet to be executed.
Other	Notes: 1. The acquisition date for land is duly recorded. 2. The ninth and tenth floors are recorded as office space. 3. Monthly rental income and guarantee deposit information is exclusive of parking facility amounts.	

#### 4. Sellers' Profile

Company Name	Goumei Kaisha Hanacho
Head Office Address	2-17-8 Nihonbashi-Hamacho Chuo-ku, Tokyo
Representative	Honda Hikoza, Representative Officer
Capital	-
Principal Shareholder	-
Business Activities	Restaurant operation and management, real estate leasing and administration
Relationship with the Investment Corporation	None
Special Items	None

\*As of March 14, 2006

#### 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 March 16, 2006. 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 a masterlease agreement with KDA on March 16, 2006. 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 March 16, 2006. 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 forecasts for the fiscal periods ending April 30, 2006, and October 31, 2006, as a result of the acquisition of the Property.

This notice is the English translation of the Japanese announcement on our Web site released on March 14, 2006. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

**Attached Materials**

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

**Reference Material 1**

**Outline of Property Appraisal**

Unit: Yen	
Appraisal Value	2,330,000,000
Base Date for Appraisal	March 1, 2006
Appraiser	Nippon Tochi-Tatemono Co., Ltd.
Value Calculated Using the Direct Capitalization Method	2,390,000,000
Gross Operating Revenue	176,047,000
Maximum Gross Operating Revenue	185,313,000
Shortfall Attributed to Vacancies	9,266,000
Operating Expenses	39,852,000
Administrative and Maintenance Expense	24,741,000
Taxes and Dues	14,583,000
Other Expenses	528,000
Net Operating Income (NOI)	136,195,000
Capital Expenditure	11,200,000
Gain on Guarantee Deposit Investment	4,320,000
Net Cash Flow (NCF)	129,315,000
Overall Capitalization Rate (NCF)	5.4%
Value Calculated Using the Discounted Cash Flow Method	2,300,000,000
Discount Rate	5.1%
Terminal Capitalization Rate	5.5%
Value Calculated Using the Cost Method	1,340,000,000
Land	48.36%
Building	51.64%

**Reference Material 2**

**Projected Cash Flow**

Unit: Millions of yen	
A . Projected Operating Revenues	168
B . Projected Operating Expenses (excluding depreciation)	40
C . Projected N O I ( A - B )	128

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 occupancy ratio of approximately 94%, based on the current occupancy ratio and future changes of occupancy
- 3 . Expenses include property management fees, taxes and dues, repairs and maintenance expenses, and insurance.

**Reference Material 3**

**Property Photographs**



## 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	7.3%	November 1, 2005
		A-1	Nihonbashi 313 Building	5,940	7.2%	August 1, 2005
		A-2	Sogo Hirakawacho Building	5,180	6.3%	August 1, 2005
		A-3	Higashi-Kayabacho Yuraku Building	4,450	5.4%	August 1, 2005
		A-4	Noir Hatchobori	3,680	4.5%	August 1, 2005
		A-5	K&Y Building (Southern Plaza)	2,533	3.1%	August 1, 2005
		A-6	Harajuku F.F. Building	2,450	3.0%	August 1, 2005
		A-15	Hamacho Hanacho Building	2,300	2.8%	March 16, 2006
		A-7	FIK Minami Aoyama	2,270	2.7%	August 1, 2005
		A-14	Reland Center Building	2,252	2.7%	March 1, 2006
		A-8	Kanda Kihara Building	1,950	2.3%	August 1, 2005
		A-9	NNK Building	1,610	1.9%	August 1, 2005
		A-10	Koishikawa Yoshida Building	704	0.8%	August 1, 2005
	Other Regional areas	A-12	Portus Center Building	5,570	6.8%	September 21, 2005
	A-11	Hakata-Ekimae Dai-2 Building	1,430	1.7%	August 1, 2005	
Total of 15 Office Buildings				48,269	59.2%	
Residential Properties	Tokyo Metropolitan area	B-1	Storia Sirokane	3,150	3.8%	August 1, 2005
		B-2	Tre di Casa Minami Aoyama	2,460	3.0%	August 1, 2005
		B-3	Court Mejiro	1,250	1.5%	August 1, 2005
		B-4	Apartments Motoazabu	1,210	1.4%	August 1, 2005
		B-5	Apartments Wakamatsu-Kawada	1,180	1.4%	August 1, 2005
		B-6	Court Nihonbashi-Hakozaki	1,130	1.3%	August 1, 2005
		B-7	Side Denenchofu	1,110	1.3%	August 1, 2005
		B-8	S-court Yokohama-Kannai	945	1.1%	August 1, 2005
		B-9	Court Motoasakusa	880	1.0%	August 1, 2005
		B-10	Storia Todoroki	877	1.0%	August 1, 2005
		B-11	Bloom Omotesando	875	1.0%	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	2.2%	December 8, 2005
	B-16	Abreast Hara	444	0.5%	August 1, 2005	
	B-17	Abreast Hirabari	407	0.4%	August 1, 2005	
Total of 18 Residential Properties				20,786	25.5%	
Retail Facilities	Tokyo Metropolitan area	C-1	Jinnan-zaka Frame	9,900	12.1%	August 1, 2005
		C-2	Yoyogi M Building	2,479	3.0%	September 30, 2005
Total of 2 Retail Facilities				12,379	15.2%	
Total of 35 properties				81,434	100.0%	Portfolio PML : 5.89%



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

\* Collection Higashisakura, which was announced in the Notice Concerning the Acquisition of Property (Conclusion of an Agreement) (Collection Higashisakura) on December 9, 2005, is not included in this portfolio because Collection Higashisakura is not yet acquired as of March 14, 2006.