

Advance Logistics Investment Corporation

Financial Results Briefing for the Fiscal Year Ended February 2023 Q&A

Date & Time : April 18, 2023 15:30-16:00

Speaker : Tomoyuki Kimura,
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Headquarters of ITOCHU REIT Management Co., Ltd.

Q1 : In your explanation, you mentioned on page 13 that the volume of information has increased 1.7 times as a result of the merger of investment management companies. Is there any particular type of information that has increased?

For example, is there more information about regional properties, like the Matsue one you spoke about, and that you didn't formerly have? I would like to ask what kind of positive effect this merger has had.

A1 : Through the merger of management companies, the company has become a comprehensive asset management company that manages multiple REITs, including a logistics-focused REIT, a residential-focused REIT, and a private REIT. Private REIT is comprehensive, and as a result, not only residential and logistics properties, but also other industrial facilities are increasing.

In terms of area, there has been an increase in the number of properties from urban centers to important regional cities and major cities, as well as other areas, resulting in an expansion of areas and differences in asset types.

Q2 : In terms of annual DPU growth, I believe that you have traditionally advocated 4% to 5% growth. Most recently, after the purchase of Ichikawa-Shiohama NOI at 4%, I would say that acquisitions would be from the pipeline you indicated on page 12, or from the recently increased property information.

The capital markets have been extremely volatile, and in the case of your company, leverage is over 40%, so I assume that the hurdles in terms of the financing environment are higher than in the past. What is your idea of the acquisition yield in terms of the pipeline on page 12?

For the purpose of my question, can you buy at a yield that would exceed the implied, or is there some other way to buy without taking equity in the primary? I would appreciate your comments on the financing options in this area and your sense of yield on the acquisitions.

A2 : To put it simply, we consult with sponsors and buy at a firm yield.

When we purchase such properties, it is often accompanied by a capital increase, so we would like to discuss the purchase of such properties at a level that will lead to an increase in the value of unitholders. We have experience in the past, so we hope you can get an image from that.

Q3 : In that sense, I understand that the sense of yield is not so different from the conventional, sponsor-developed projects. Is that correct?

A3 : IMP Ichikawa-Shiohama was NOI 4%, which we consider top-line. As for the other properties, we will discuss with the sponsors, taking into consideration whether or not distribution per unit can grow when the public offering is actually made.

Q4 : You explained earlier that because property information increased, you were able to acquire the preferential negotiation right of Matsue maintenance center through acquiring TK Equity interest. I wonder if there is any difference in the sense of yield between those that are purchased from 3rd party and those that are acquired from sponsors.

A4 : Base yield perspective remains the same for properties bought from 3rd party and sponsors. Some properties can be purchased at a premium, while others are difficult due to stiff competition. This is the image we have when acquiring new properties.

Additional questions received

Q : The slide on the internal growth strategy shows the status of re-signings of contracts scheduled to expire in the fiscal year ending February 2024. I would like to know the rate of increase and the impact on DPU for the two properties in total.

A : Including contracts currently under negotiation, the rent increase rate is expected to be +5.2% on a contract basis, +7.4% on a recorded basis after leveling out the free rent of the previous contract. After adding the rent up of additional office space in IMP Noda, the impact to DPU is +1.2% per period.

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