

22 August 2016

## ALL-CASH ACQUISITION OF TWO HOTELS IN REGIONAL CITIES

Astro Japan Property Group (ASX: AJA) today announced the acquisition of two Japanese hotels for a combined purchase price of ¥1.473 billion (A\$19.1 million approx. at A\$1=¥77). This represents a discount of approximately 4.5% on the combined independent valuation of ¥1.542 billion. Financial close of this transaction has been completed. AJA's interest in the hotels is held through a new special purpose, property owning Japanese company, KTS&S Co. Ltd (JPKT).

The hotel acquisitions are funded solely from AJA's excess cash, and the remaining balance of excess cash following the acquisitions, and allowing for payment of the full year distribution on 31 August 2016, is the approximate equivalent of \$45 million (mostly held in Yen). The hotels have an estimated average NOI yield of 5.82% and their acquisition is expected to add approximately 1.6 cents per security to after-tax profits on a pro-forma annual basis.

As part of the acquisitions, AJA's Japan asset manager, Spring Investment Co., Ltd, has negotiated a new 20 year non-cancellable lease for each hotel with an experienced Japanese hotel operator, Kuretakeso. Kuretakeso was established in 1948 as an operator of traditional Japanese style hotels, and currently operates 24 business hotels, 5 full service 'city hotels' and 3 resort hotels in Japan, in addition to 5 hotels in Asian countries. The two hotels acquired by AJA will operate as 'Kuretake Inn Asahikawa' and 'Kuretake Inn Okayama'.

Mr Eric Lucas, Senior Advisor to AJA, said "With inbound Japanese tourism undergoing unprecedented growth and domestic business travel strong, we are very pleased to have made our first hotel investments, especially as the assets are leased on a long-term basis to an experienced and successful local operator, Kuretakeso, with which we hope to complete further transactions as its business expands.

The assets have been acquired without debt for now, as AJA has abundant free cash and the immediate focus is on absolute return levels on that cash. It is likely this acquisition will be leveraged eventually, perhaps along with other assets."

### The Properties

Attached to this release is an overview of each property. The key property statistics are as follows:

Property	Asset Class	Purchase price ¥ million	Estimated NOI yield on acquisition %
Kuretake Inn Asahikawa	Hotel	671.6	5.87%
Kuretake Inn Okayama	Hotel	801.8	5.78%

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#### Astro Japan Property Group

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Astro Japan Property Management Limited ABN 94 111 874 563 AFSL 283142  
as responsible entity of the Astro Japan Property Trust ARSN 112 799 854

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Kuretake Inn Asahikawa is a business hotel with 102 rooms. The hotel is an 11 storey building that was completed in July 2003. It is located in the main street of the city centre of Asahikawa City, the second largest city in Hokkaido, and is approximately 8 minutes from the JR Asahikawa train station.

Kuretake Inn Okayama is a business hotel with 111 rooms. The hotel is a 10 storey building that was constructed in August 2003. It is located in front of the City Office of Okayama City, the second largest city in the Chugoku Region, and is approximately 15 minutes from the JR Okayama train station.

**ENDS**

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**About Astro Japan Property Group (AJA)**

Astro Japan Property Group is a listed property group which invests in the Japan real estate market. It currently holds interests in a portfolio comprising 29 retail, office and residential properties. Asset management services in Japan are generally undertaken by Spring Investment Co., Ltd.

AJA is a stapled entity comprising Astro Japan Property Trust (ARSN 112 799 854) and Astro Japan Property Group Limited (ABN 25 135 381 663). For further information please visit our website: [www.astrojapanproperty.com](http://www.astrojapanproperty.com).



### **Kuretake Inn Asahikawa**

Kuretake Inn Asahikawa a limited service hotel with 102 rooms. The hotel is located in the middle of business district of the Asahikawa City, the second largest city in Hokkaido, along the city's main street, Midoribashi Street, which connects JR Asahikawa Station and City Office of Asahikawa.

#### **Address**

4-Jo Dori, Asahikawa, Hokkaido  
8 minutes from JR Asahikawa Station of JR Hakodate Main Line

#### **Sub-market**

Asahikawa City

#### **Property type**

Hotel

#### **KEY PROPERTY STATISTICS (AUGUST 2016)**

##### **Acquisition summary**

Ownership interest	100%
Purchase price (¥ million)	672
NOI yield	5.9%
Year completed	Jul 2003
PML	0.3%

##### **Independent valuation**

Valuer	Japan Real Estate Institute
Valuation (¥ million)	705
Direct capitalization rate	6.3%
Terminal yield	6.5%
Discount rate	6.1%

##### **Property statistics**

Land area (sqm)	570
NRA (sqm)	3,244
Gross rent + CAM (¥/month/tsubo)	4,798
Occupancy by area	100%
Occupancy by income	100%

#### **TENANT SUMMARY**

<b>Tenant name</b>	<b>Tenant industry</b>	<b>Lease type</b>	<b>% of total rent</b>	<b>Lease expiry date</b>
Kuretakeso	Hotel	Fixed, Non-Cancellable	100.0%	August 2036

	<p><b>Kuretake Inn Okayama</b></p> <p>Kuretake Inn Okayama is a limited service hotel with 111 rooms located in front of City Office of Okayama, the second largest city in Chugoku region, and within walking distance from and to major office buildings, retail facilities and restaurant / bar district in the city as well as JR Okayama Station.</p> <p><b>Address</b> Yanagimachi 2-Chome, Kita-ku, Okayama, Okayama 15 minutes from JR Okayama Station of JR Shinkansen and Sanyo Main Line</p> <p><b>Sub-market</b> Okayama City</p> <p><b>Property type</b> Hotel</p>																														
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