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Real Estate Investment Trust Securities Issuer

Sekisui House Reit, Inc.

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Notice Concerning Changes in the Master Lease Agreement of Owned Property
(Sha Maison Stage Akihabara)

Sekisui House Reit, Inc. (“SHR”) hereby announces that SHR has determined today to change the master lease agreement (the “Agreement”) of Sha Maison Stage Akihabara (the “Property”) from a fixed-rent type master lease (Note 1) to a pass-through type master lease (Note 2) (hereinafter referred to as the “Change”) owned by SHR as described below.

1. Reason for the Change

SHR’s policy is to select lease schemes for owned properties from the following: direct contract with tenants (direct lease (Note 3)), pass-through type master lease or fixed-rent type master lease, based on a comprehensive consideration of factors such as the status of assets under management, stability of rental income, and efficiency of operation and management.

Regarding the lease scheme for the Property, SHR has adopted a fixed-rent type master lease that emphasizes the stability of rental income. However, in the current rental housing market, internal growth is expected as the occupancy rate remains strong for SHR’s residential portfolio and the change in rent rate for new contracts is on an upward trend. As the Agreement is coming to an end as of January 20, 2024, SHR has reconsidered changes to its leasing scheme in light of the current operating environment, operating status, and other factors of the area surrounding the Property. As a result, SHR has concluded that pursuing internal growth opportunities will contribute to maximizing unitholder value and will change the leasing scheme from a fixed-rent type master lease to a pass-through type master lease (the “Change”).

(Note 1) “Fixed-rent type master lease” refers to a lease scheme in which the rent paid by a master lessee is fixed regardless of the rent paid by end tenants to the master lessee. The same applies hereinafter.

(Note 2) “Pass-through type master lease” refers to a lease scheme in which the rent paid by a master lessee is always equal to the rent paid by end tenants. The same applies hereinafter.

(Note 3) “Direct lease” refers to a method of leasing directly to end tenants without adopting a master lease agreements.

2. Summary of the Change

	Before the Change	After the Change
Master lease company	Sekisui House Real Estate Tokyo, Ltd.	
Master lease type	Fixed-rent type master lease	Pass-through type master lease
Contract period	From January 21, 2019 to January 20, 2024	From January 21, 2024 to January 31, 2034
Monthly rent (Note 1)	2,525 thousand yen	2,774 thousand yen
Leasehold and security deposits (Note 2)	4,799 thousand yen	3,367 thousand yen

Disclaimer: This translation is for informational purposes only. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.



(Note 1) "Monthly rent" before the Change is the monthly rent based on the content of the fixed-rent type master lease agreement (excluding usage fee for parking, warehouses, signboards, etc. but including common area fees. Consumption tax and local consumption tax are excluded.), rounded down to the nearest thousand yen. "Monthly rent" after the Change is the total monthly rent based on the content of the lease agreement as of the end of December 2023 (excluding usage fee for parking, warehouses, signboards, etc. but including common area fees. Consumption tax and local consumption tax are excluded. Additionally, even if there is a provision for free rent or rent holiday in the said each lease agreement, the free rent and rent holiday as of the same day will not be considered.), rounded down to the nearest thousand yen. Furthermore, the term "Free rent" is an agreement which sets up a free or fairly low rent for a certain period (mainly at the time of moving in), and "Rent holiday" is an agreement which sets up a free or fairly low rent regularly or irregularly, for a certain period during the rental period.

(Note 2) "Leasehold and security deposits" before the Change is the leasehold and security deposits (excluding leasehold of parking) based on the content of the fixed-rent type master lease agreement, rounded down to the nearest thousand yen. "Leasehold and security deposits" after the Change is the total amount of the leasehold and security deposits (excluding leasehold of parking) based on the content of each lease agreement with end tenants effective as of the end of December 2023, rounded down to the nearest thousand yen.

3. Future Outlook

The effect of the change on the results of SHR is minimal, and there is no impact on the forecasts of performance for the fiscal period ending April 30, 2024 (November 1, 2023 – April 30, 2024) and the fiscal period ending October 31, 2024 (May 1, 2024 – October 31, 2024) as mentioned in the "Financial Report for the Fiscal Period Ended October 31, 2023" announced on December 21, 2023.

* Sekisui House Reit, Inc. website: <https://sekisuihouse-reit.co.jp/en/>