

March 3 2014



## N e w s R e l e a s e

Press Release

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**Real Estate Development Project in the U.S.  
Daiwa House Commences Rental Apartment Business in Texas, U.S.A.**

Daiwa House Industry Co., Ltd. (Head Office, Osaka; President, Naotake Ono), in collaboration with Lincoln Property Company (hereafter LPC) which manages the third largest number of rental properties in the U.S.\*<sup>1</sup>, will start developing and managing a rental apartment complex (Berkeley Project) in April 2014\*<sup>2</sup>.

To further collaborate in rental apartment development and management, Daiwa House and LPC have agreed to enter into a strategic partnership through a Memorandum of Understanding. A signing ceremony will be held on March 3, 2014 at the U.S. Embassy in Tokyo.

Looking ahead, Daiwa House, through its U.S. subsidiary Daiwa House California, plans to purchase and develop ¥150 billion (\$1.5 billion) worth of rental properties during the three years from 2014 to 2016, and aims to achieve revenues of ¥50 billion (\$500 million) in the U.S. by fiscal year 2018.

In addition, Daiwa House will enter the distribution warehouse and subdivision housing market in the U.S. and will expect to reach ¥100 billion (\$1 billion) in total overseas sales by fiscal year 2015 by drawing on new revenue sources including U.S. real estate projects.

\*1. Source: *Multifamily Executive Magazine*. Rank as of January 2012.

\*2. The Berkeley Project will commence upon issuance of real estate title insurance policy, construction document permitting and completion of other necessary conditions.

## Points

1. **Joint Project with major U.S. real estate company: Lincoln Property Company**
2. **Large-scale project involving a site area of 104,991m<sup>2</sup> (25.9 acres) and a total of 716 units with net rentable area of 60,987m<sup>2</sup> (655,774 square feet)**
3. **Rental apartment business in Fort Worth, Texas, the population of which is expanding rapidly**
4. **Resident targets: Generation Y<sup>\*3</sup>**

\*3. The generation born between 1975 and 1989, approximately 75 million people in the United States. Over the next 15 years or so, rental housing demand is expected to focus on members of Generation Y and their children (Generation Z).

## ■ Background to the Commencement of Daiwa House's U.S. Real Estate Business

Regarding its U.S. businesses, since 1976 Daiwa House has established four local companies primarily in California and Texas, which supplied approximately 10,000 subdivision housing units over a nine year period until 1984. In April 2011, Daiwa House established Daiwa House California in San Jose, California, which has been managing and operating a rental apartment complex (42 units) in Redwood City, California which was purchased in August 2011.

Regarding the U.S. economy, financial markets have recovered due to the Federal Open Market Committee's (FOMC) decision to utilize quantitative easing and low interest rate policy since 2009. As a result of these policies to expand internal demand, the situation surrounding real estate markets is looking brighter.

Under these circumstances, the Berkeley Project will be undertaken by Daiwa House, which will utilize its know-how in the real estate development and rental housing businesses cultivated in Japan with an eye to providing rental apartments that customers in the United States will appreciate.

### 1. Joint Project with Major U.S. Real Estate Company: Lincoln Property Company

In order to promote its rental apartment business in the United States, Daiwa House has committed to entering into a partnership with LPC, a major U.S. real estate company, to pursue apartment construction opportunities, all of which will be developed and managed in collaboration with LPC.

To commence its rental apartment business, Daiwa House will in April 2014 purchase from LPC, Berkeley I (406 units) — a rental apartment complex located in Fort Worth, Texas that has been in operation since 2008. In addition, Daiwa House and LPC are scheduled to commence development and construction of the Berkeley II rental apartment complex (310

units) on the adjacent property in April 2014; construction is slated to be completed during fiscal year 2015. Upon completion of Berkeley II, Daiwa House's rental apartment business in Texas will total 716 units.

Daiwa House targets in 2017 to sell these rental apartments and use the proceeds from the sale for another real estate development.

## **2. Large-scale project involving a site area of 104,991m<sup>2</sup> (25.9 acres) and a total of 716 units with net rentable area of 60,987m<sup>2</sup> (665,774 square feet)**

The Berkeley Project is the second rental apartment business for Daiwa House in the United States. This large-scale rental apartment project has a site area of 115,000m<sup>2</sup> (28.4 acres) and consists of a total of 716 units.

Daiwa House will make available a multitude of different floor plans to satisfy American customers. The three-story, low-rise residences will feature one bedroom/one bathroom and two bedroom/two bathroom lineups with living spaces ranging from 62m<sup>2</sup> (671 square feet) to 128m<sup>2</sup> (1,386 square feet). The Berkeley II rental apartment complex will be equipped with facilities used exclusively by Berkeley I and Berkeley II residents, including a swimming pool, dog park, business center, sports gym and BBQ corner.

In addition, the entire rental apartment complex will be a gated community<sup>\*4</sup> that will create a residential area with enhanced safety and security.

The know-how and technologies that Daiwa House has developed in rental housing and condominium development over the years in Japan will be fully utilized in the Berkeley Apartments. Furthermore, through the asset management company formed in November 2013 Daiwa House will acquire expertise in managing rental apartments in the U.S., which will enable further expansion of the business.

<sup>\*4</sup>. Residential areas with a high degree of security due to measures for preventing trespassing, notably patrols by security guards.

## **3. Rental apartment business in Fort Worth, Texas, the population of which is expanding rapidly**

Fort Worth, Tarrant County, Texas, has a population of 770,000. Along with nearby Dallas, this city forms the Dallas-Fort Worth Metroplex, which has a population of 6.7 million. Featuring the same temperate, humid climate as Japan, Fort Worth summers are hot and winters are cool. In addition, Fort Worth is a center for the aviation industry that includes the headquarters of American Airlines, the soon to be expanded Lockheed Martin factory and other similar facilities located in the surrounding area. The population of Fort Worth area increased by a rate of 30% over the decade between 2002 (580,000<sup>\*5</sup>) and 2012 (770,000<sup>\*5</sup>), far exceeding the U.S. average

of 9.14%.

\*5. Source: U.S. Census Bureau, Population Division

#### **4. Resident targets: Generation Y**

Focusing on Generation Y, which is expected to be a source of stable rental demand, the main resident targets of Daiwa House will be Texas-based upper-income professionals, teaching staff and students from neighboring Texas Christian University, and those working in the medical field.

#### **5. High-quality rental apartments**

##### **(1) Simple exterior designs that maintain their appeal**

Building exteriors are simple, featuring a brick pattern accented with stone frames on the first and second floors along with a light, soothing paint color for the third floor.



##### **(2) Spacious Building Placement**

The spacious building placement takes advantage of a location with an abundance of natural surroundings. Within the site, roads and sidewalks have been separated for safety considerations. Such features offer a pet-friendly environment, and approximately 25% of residents of Berkeley I own pets.



##### **(3) Equipped with convenient shared facilities**

The apartment complex has been equipped with shared facilities for exclusive use by residents, including a swimming pool, dog park, business center, sports gym and BBQ corner.



#### ■ Lincoln Property Company (LPC)

Headquartered in Dallas, Texas, LPC is a leading U.S. real estate company established in 1965 in order to create quality residential communities. LPC currently operates in over 200 U.S. cities as well as 10 countries in Europe.

To date, LPC has developed rental housing and commercial real estate totaling over 2,258 million square feet (210 million square meters) and 1,516 million square feet (141 million square meters), respectively. In addition, LPC manages over 153,000 rental housing units and commercial real estate totaling 2,032 million square feet (189 million square meters).

#### ■ Overview of Property

Name:	Berkeley Projects I and II
Location:	2001 Park Hill Drive, Fort Worth, Texas 76110
Total number of units:	716 (Berkeley I – 406, Berkeley II – 310)
Total number of buildings:	31 (Berkeley I – 18, Berkeley II – 13)
Site area:	104,991m <sup>2</sup> (25.9 acres)
Residential area:	60,987m <sup>2</sup> (655,774 square feet)
Construction:	2x4 wood construction (three floors above ground)
Residential area per unit:	62m <sup>2</sup> (671 square feet) – 128m <sup>2</sup> (1,386 square feet)
Construction start:	Berkeley II - April 2014 (Berkeley I completed in 2008)
Floor plan:	One bedroom/one bathroom – two bedrooms/two bathrooms
Rent:	Approximately ¥100,000 (\$1,000) to ¥200,000 (\$2,000)
Construction completion:	Scheduled for fiscal 2015 (Berkeley II)

#### ■ Overview of U.S. Subsidiary of Daiwa House

Company name:	Daiwa House California
Location:	101 Metro Drive, Suite 325, San Jose, CA 95110
Stakeholder:	Daiwa House Industry Co., Ltd. (wholly owned subsidiary)
Paid-in capital:	¥2,987,000,000 (\$29,870,000)

Employees: Five (three on loan from Daiwa House)

Businesses: Real estate development (construction and designing) and sales, leasing of owned properties, real estate consulting and related services

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Prior to construction



Berkeley I at present



Bedroom

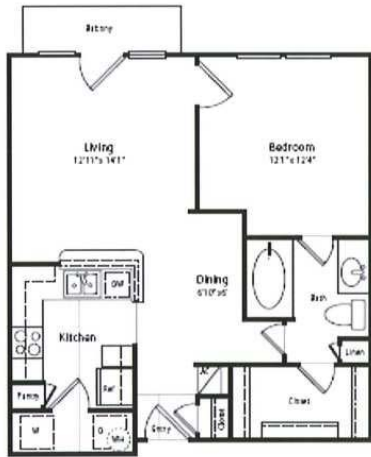


Kitchen



One bedroom/one bathroom floor plan

Two bedroom/two bathroom floor plan



Berkeley I at present



