February 19, 2020
Diamond Realty Management Inc.

Launch of "DREAM U.S. Preferred Equity Fund" (USD 43.2 Mil)

Diamond Realty Management Inc. (DREAM) announces that it has launched DREAM US Preferred Equity Fund (the Fund), a private fund specializing in a preferred equity backed by a real estate asset under construction in the U.S.

The Fund closed at total equity commitment of USD 43.2Mil. The Fund's investors include Japanese institutional investors such as financial institutions, and corporates.

The Fund features the followings:

a) A fully seeded fund

The Fund is designed to be a fully seeded fund with a single underlying preferred equity. DREAM aims to provide its investors a straight forward investment product.

b) Investment to a construction project

The underlying collateral asset is a 330,000 sqf, mixed-use property under construction in Delray Beach, Florida, a city located one hour north of Miami by car. Being facing the main street and having excellent visibility and location advantage, the real estate values in the submarket can be expected to remain stable.

c) Appointment of a local consultant

Pearlmark Real Estate, LLC., (PM), an existing local business partner of Mitsubishi Corporation Group, is appointed as DREAM's consultant. PM co-invested in the underlying preferred equity and gives DREAM advices in monitoring and claim receivables as a financer, and market practice.

d) Investment to preferred equity

Preferred equity has subordinated common equity. And this subordinate formation makes its collection probability higher.

In the U.S., preferred equity finance, as well as mezzanine finance, is more familiar than in Japan. Covenants of preferred equities can be structured flexibly, i.e. from common equity-like to debt-like. Among them, an underlying deal of the Fund has similar characteristic to mezzanine debt, rather than common equity.

The Fund targets to achieve net IRR of 7 to 8%, a higher rate compared to returns recently

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generated by the private REITs and DREAM's mezzanine debt funds in Japan, while keeping the LTV (Loan, including preferred equity, to Value) at approximately 70% to mitigate potential risk for principal loss.

Since its first launch of DREAM Mezzanine Debt Fund in October 2011 to the most recent launch of DREAM Mezzanine Debt Fund 6 in March 2018, DREAM has launched and managed six mezzanine debt funds in Japan and DREAM US Mezzanine Debt Fund in March 2018. DREAM will continue its efforts in providing domestic and overseas various type of investment opportunities to its investors.

【Fund Summary】

Name	DREAM US Preferred Equity Fund (DUPE L.P.)
Asset Type	A preferred equity collateralized by a mixed use (residential, office, and retail) property under construction in Delray Beach, Florida
LP Investment Commitment Size	USD 43.2Mil
Term	3.5 years with extension options
Investors	4 domestic institutional investors, etc

【Diamond Realty Management Inc. (DREAM)】

Head Office: 16-1, Hirakawacho 2-Chome, Chiyoda-ku, Tokyo, Japan

Shareholder: 100% subsidiary of Mitsubishi Corporation

Representative: Katsumi Nakamoto, President and Chief Executive Officer

Date Established: 2004

Number of Employees: 88 (as of December 2019)

【Contacts】

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