NEWS RELEASE

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R&I Assigns A+ Stable: New City Residence Investment Corp.

UPDATE OF THE ANNOUNCEMENT ON MAY 15, 2006.

Rating and Investment Information, Inc. (R&I) has assigned the following ratings.

ISSUER: New City Residence Investment Corp. (Sec. Code: 8965)

Issuer Rating
R&I RATING: A+ (Newly Assigned)
RATING OUTLOOK: Stable

RATIONALE:

New City Residence Investment Corp. (NCR) is a J-REIT that listed its shares on the stock exchange in December 2004. As of February 28, 2006, the company owned 86 properties worth 122.4 billion yen (acquisition price basis). NCR specializes in residential property investment, and its sponsors include CB Richard Ellis Investors and New City Corporation (NCC).

As of February 28, 2006, NCR's portfolio was 100% residential property. In terms of location, 50% was situated in the six central wards of Tokyo(Note 1), 40% was in Tokyo metropolitan area excluding six central wards (Note 2) and 10% was in regional areas, so the portfolio is concentrated on central Tokyo. The average acquisition price per property was 1.4 billion yen. The average building age weighted for acquisition price was new at about three years. R&I's assessed value of the portfolio is 116.9 billion yen, which is a level 95.5% of the acquisition price and 94.7% of a recent appraisal valuation.

NCR specializes in residential property investment, and it has achieved diversification in terms of unit type by investing in a good balance of different types of residences for wide range of tenant's segments, which are single people, urban families, families and wealthier population. The scale of the residential market is large for both transactions and leasing of residential property, so asset liquidity and tenancy replacement potential is excellent. As rental charges are based on the real demand for dwellings, they are relatively unaffected by the impact of economic trends. Consequently, R&I recognizes that cash flow for the residential properties is relatively stable.

Many of the residential properties that NCR owns are situated in very convenient locations, primarily in central Tokyo, new buildings that are less than five years old account for at least 80% of its portfolio, and building grades and standard of fittings are highly qualified as like condominiums for sale. In reflection of the competitiveness of the properties, the overall occupancy rate as of March 31 was 94.4%, which is a high level for portfolio that specializes in residential property with diversified tenants.

The company has also been putting its efforts into acquiring new properties with the objective of improving the quality of its portfolio and reducing the age of its buildings. This method of acquisition involves the risk of tenant leasing, but the risk involved is limited due to the positive locations of the properties NCR plans to acquire, the large size of the fund, and its high level of leasing capabilities. In addition to this, NCR has given consideration to reducing the impact on cash flow overall by making it as a condition for closings of acquisitions that the occupancy rates of the properties on contracts have to be reached at a certain level in some circumstances.

NCR owns currently 86 properties with over 4500 end-tenants, therefore its portfolio is very well diversified. The impact of trends for particular properties or tenants on the whole portfolio is slight, and the possibility of a substantial decline in the fund's overall asset value or cash flow is

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low given the considerations in conjunction with the stability of the cash flow generated by residential properties as stated previously.

NCR has outstanding capabilities in the acquisition of properties, which take advantage of NCC's advanced commitments for acquisitions, brokerage capabilities, provision of information and the unique network of information established from previous transactions. The size of the fund has already reached 147 billion yen once properties scheduled for future acquisition are included, and the portfolio is likely to diversify further.

NCR has a policy of achieving internal growth (improving the profitability of existing properties) in the management of its properties through (1) centralization of substantial property management operations in New City Property Services (an NCC subsidiary), (2) introduction of a "operations support system" (MRI), (3) extensive collaboration with broker companies, and (4) provision of a diverse program of services for tenants.

NCR's target for the ratio of debt to gross assets (LTV) is 40 – 55%. LTV temporarily hit a high level at the end of the first fiscal period because of the high speed of property acquisitions. However, the company implemented an equity capital offering immediately after this, reducing the LTV. In the future, the rate of fluctuation in the LTV is likely to be gradually settled down as the scale of the fund grows.

R&I has forecasted its own medium-term trends in the LTV (a value obtained by dividing debt and deposits and security money deposited without reserves by R&I's assessed entire portfolio value) based on factors such as NCR's projections and track records. According to this estimate, LTV, as defined by R&I, should generally be maintained at the positive level of 44-57%.

At present, secured borrowings with short-term or variable interest rates accounts for the majority, partly because only two fiscal periods have gone by since NCR has listed its shares on the stock exchange. Nevertheless, following the unsecured bond issue in February 2006, NCR obtained its first unsecured borrowing in April. In the future, it plans to increase the proportion of its fund raising that is long-term fixed rate and unsecured by utilizing bonds and other means in readiness for increases in interest rates and refinancing risk.

(Note 1) Chiyoda-ku, Minato-ku, Chuo-ku, Shinjuku-ku, Shibuya-ku and Shinagawa-ku.
(Note 2) Kanagawa prefecture, Chiba prefecture and Saitama prefecture and Tokyo excluding note 1 above.

R&I RATINGS:

ISSUER:	New City Residence Investment Corp. (Sec. Code: 8965)
ISSUER RATING:	A+ (Newly Assigned)
RATING OUTLOOK:	Stable

Issuer Rating is an R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and it will be assigned to all issuers. The rating of individual obligations (i.e. bonds and loans etc.) includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than Issuer Rating.

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