



Moody's changes New City Residence Investment Corporation's A3 rating outlook to positive

Tokyo, July 25, 2007 -- Moody's Investors Service has changed its outlook on the A3 issuer rating and senior unsecured long-term debt ratings of New City Residence Investment Corporation (NCR) to positive from stable.

The rating action reflects the substantial improvement evident in NCR's percentage of unsecured straight bonds subordinated to secured debt. This development in turn reflects the decline in secured debt from the 100% level of total interest-bearing debt as of December 2005, when Moody's assigned the issuer rating.

NCR has been successful in converting secured debt to unsecured as well as issuing public bonds; therefore, the ratio of total secured debt to gross assets has decreased to 19.9% and the ratio of total acquisition price of secured properties to gross assets has dropped to 44.2%.

NCR had acquired 98 properties by end-June 2007 for a total JPY 173.2 billion. It focuses on investments in and management of residential properties, and its portfolio is well diversified among all residential property types. The majority of the properties are located in the Tokyo metropolitan area. Tenants are also well diversified, with approximately 6,100, and the impact of any one tenant on portfolio cash flow is highly limited.

NCR has set external growth targets of JPY 200 billion on an asset value basis by end-2007 and JPY 300 billion at some time between end-2010 and end-2012. It plans to utilize an acquisition pipeline provided by its sponsor company and others.

NCR has conservatively controlled leverage through two public offerings. In line with its financial policy, it has increased the number of its lenders and promoted longer-term and fixed-interest loans as well as bonds. At the same time, it has enhanced financial flexibility through introducing committed line facilities, unsecured loans and diversifying funding sources.

Moody's expects NCR will maintain its reasonably strict investment standards and that it intends to improve portfolio quality through its growth phase. It will also likely maintain its conservative financial strategy as well as its leverage within the 40-55% range, and convert secured debt to unsecured. Moody's will continue to monitor NCR's portfolio and financial strategies.

New City Residence Investment Corporation is a Japanese real estate investment trust focusing on investment in and management of residential properties. Its revenues totaled JPY 5.7 billion in the fiscal half-year ended February 2007.

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