



Moody's upgrades New City Residence Investment Corporation to A2 from A3

Tokyo, December 25, 2007 -- Moody's Investors Service has upgraded to A2 from A3 the issuer rating and senior unsecured long-term debt rating of New City Residence Investment Corporation (NCR).

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

NCR has been successful in obtaining unsecured debt for new borrowings, converting secured debt to unsecured, as well as issuing public bonds. NCR refinanced an approximately JPY 11.3 billion secured loan with an unsecured loan in December 2007; therefore, the ratios of total secured debt and the total acquisition price of secured properties against gross acquisition price have dropped to 9.7% and 20.5%, respectively, as of December 21, 2007. This concludes the review initiated on December 12, 2007. The rating outlook is stable.

NCR had acquired 107 properties by December 21, 2007 for a total purchase price of approximately JPY 185.7 billion. It focuses on investment in and management of residential properties, and its portfolio is well diversified across all types of residential properties. The majority of the properties are located in the Tokyo metropolitan area. The approximately 6,800 tenants are also well diversified, and the impact of any one tenant on portfolio cash flow is highly limited.

At first, NCR set its external growth target of JPY 200 billion for the end of 2007, but its asset size has run up to about JPY 226 billion on a contractual basis as of December 21, 2007. Furthermore, it has newly set its external growth target of JPY 300 billion at some point between the end of 2010 and the end of 2012, therefore, it plans to use an acquisition pipeline provided by its sponsor company, and to reinforce the original property acquisition ability of its asset management company. It also plans to reinforce its tenant leasing and property management ability to encourage internal growth.

NCR has controlled leverage conservatively, through two public offerings. In line with its financial policy, it has increased the number of lenders and promoted longer-term and fixed-interest loans as well as bonds. At the same time, it has enhanced its financial flexibility with a commitment line, unsecured loans, and diversified funding sources. It intends to build more solid relationships with financial institutions, focusing on its several main banks, to promote longer-term debt, to borrow unsecured debt continuously, and to expand the limit of its commitment lines.

Moody's has confirmed NCR's policy that it continues to manage its business focusing on financial solidity, including conservative leverage control, for its growth.

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 August 2007.

end