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Moody's changes NCR's A2 rating outlook to negative

Tokyo, August 1, 2008 -- Moody's Investors' Service has changed its outlook on the A2 issuer rating and senior unsecured long-term debt ratings of New City Residence Investment Corporation (NCR) to negative from stable.

The rating action reflects Moody's view that NCR's flexible financial management may be negatively affected by NCR's plan to purchase large-scale properties and its maturing short-term debts.

In September 2008, short-term debts totaling JPY 12.5 billion and long-term debts of JPY 17.4 billion will be due. In October 2008, the acquisition of a property in Ikebukuro will cost JPY 27.7 billion. To address the short-term financing needs, NCR allocated new investment units to a third party in May 2008, while relying on its banks for fund-raising. Additionally, its properties have been liquidated this year. Moody's is concerned that, given the severe credit crunch in the real estate market, NCR's efforts to address its short-term financing needs may become a stress on the flexibility of its financial management.

Having intended to maintain its LTV at a range of 40-55%, the company kept its LTV to 54.8% at the end of February 2008. Although it declined to the lower 50%'s thereafter in NCR's ongoing effort to pay off its debt, the LTV is likely to go up again in October 2008 when the Ikebukuro property will be acquired. NCR has announced that it will keep its LTV below 55%, sticking to its financial policy.

Because of the credit crunch, banks are requiring a higher spread than before from NCR. Nevertheless, NCR has established good relationships with a number of banks, none of which have seem to have changed their attitudes towards NCR.

NCR's portfolio, which consists of residential properties, expanded in value roughly to JPY 220 billion, with 109 properties as of end-July 2008. The portfolio is well diversified, and located mainly in the Tokyo metropolitan area. The properties are mostly new. The portfolio's average occupancy rate was roughly 93% as of end-June 2008. Moody's considers that the fundamentals of NCR's residential rental business are stable.

New City Residence Investment Corporation is a Japanese real estate investment trust focusing on investment in and management of residential properties. Its operating revenues totaled approximately JPY 6.3 billion in the fiscal half-year ended February 2008.

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