



NEWS RELEASE

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R&I Changes Rating Outlook Negative: New City Residence

Rating and Investment Information, Inc. (R&I) has announced the following:

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

R&I RATING: A+ (Affirmed)
RATING OUTLOOK: Negative (Changed from Stable)

RATIONALE:

New City Residence Investment Corp. (NCR) is a J-REIT which became listed in December 2004. NCR specializes in residential property investment, and its sponsors include CB Richard Ellis Investors, LLC and New City Corporation K.K.

By the end of this year, NCR expects to repay loans totaling 38.35 billion yen and acquire New City Residence Ikebukuro Precious Tower (tentatively named) at approximately 27.7 billion yen. Required funds will be procured from loans and sales proceeds of assets. NCR has established extensive business ties with major Japanese financial institutions and its quality of the properties are widely acclaimed. However, uncertainties over securing smooth financing are increasing with the recent tight financing environment for the real estate industry and low liquidity of residential properties. R&I has thereby changed the Rating Outlook to Negative from Stable. R&I will observe future financing trends.

Current ratio of loan to value (LTV) is in the lower 50% level which stays within its management target. NCR aims to accelerate repayment of loans from continuous sales of properties and to control the LTV increase after acquiring the Ikebukuro Precious Tower.

No particular issues are noted in the leasing business itself. NCR mainly invests in large residential properties for lease which are relatively new and located in Tokyo's 23 wards. Their occupancy ratios are around 93%. Its asset size including Ikebukuro Precious Tower has exceeded 220 billion yen and its portfolio is diverse such as NCR holds 109 properties and more than 7,500 leasable units.

R&I RATINGS:

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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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Ratings are statements of R&I's opinion shown in certain symbols regarding an Issuer's general capacity (credit quality) to repay its financial obligation and individual debts (bonds and loans, etc.) and it is not a statement of recommendations to buy, hold, or sell any securities. Information has been obtained by R&I from sources believed to be reliable, however, its accuracy, adequacy, or completeness is not guaranteed. Therefore, R&I is not responsible for any errors or omissions or the result obtained from the use of the rating. As a general rule, R&I provides the rating services for a rating fee paid by the Issuer.

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