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Moody's places NCR's A3 rating on review for possible downgrade

Tokyo, October 9, 2008 -- Moody's Investors' Service has placed on review for possible downgrade the A3 issuer rating and senior unsecured long-term debt ratings of New City Residence Investment Corporation (NCR).

The review reflects Moody's concerns on the increasing stress on NCR's financial flexibility as result of activities such as debt service and large property acquisitions.

NCR needs to raise over JPY 60 billion to settle maturing debt and property acquisitions in September and October. To address these short-term financing needs, the company has liquidated properties and allocated new investment units to a third party.

However, given the growing credit crunch in the real estate market, funding conditions, in the form of rising borrowing costs and contracting debt terms, are more severe than ever, which is limiting NCR's financial flexibility. In addition, the company has posted losses on some of its property disposals.

Moody's review will focus on NCR's efforts to sustain its robust relationship with its current fund providers – its main banks – and stabilize its fund-raising.

In their efforts to stabilize fund-raising amid the ongoing market turmoil, however, borrowers in general may decide to subordinate their rated bonds, a decision Moody's would take into account in the ratings.

New City Residence Investment Corporation is a Japanese real estate investment trust investing in and managing residential properties. Its portfolio expanded in value to roughly JPY 210 billion, with 106 properties (including one to be acquired) as of end-September 2008. The portfolio is diversified, with most of the properties located mainly in the Tokyo metropolitan area; most are also new. The portfolio's average occupancy rate was 93.4% as of end-August 2008. Moody's considers that the fundamentals of the residential rental business are strong and that the company can maintain stable cash flow. Its operating revenues totaled approximately JPY 6.3 billion in the fiscal half-year ended February 2008.

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