

Oct 25, 2011

R&I Upgrades to A+, Stable, Removes from the Rating Monitor: BLife Investment Corp.

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

ISSUER: BLife Investment Corp.
Issuer Rating: A+, Previously (A)
Rating Outlook: Stable

RATIONALE:

BLife Investment Corp. (BLI, to be renamed Daiwa House Residential Investment Corp.) is a residential REIT whose main sponsor is Daiwa House Industry Co., Ltd. In April 2010, BLI absorbed and merged with New City Residence Investment Corp. (NCR). This has increased its asset size sharply.

The rating upgrade is mainly attributable to significant improvement in BLI's financial profile following the issuance of new investment units through a public offering. The capital increase appears to have lowered the LTV ratio, which had been very high at above 60% after the merger, to the mid 50% level. BLI plans to control the ratio between around 50% and 55%.

Furthermore, BLI redeemed prior to maturity the rehabilitation obligations with the right of separate satisfaction it took over from NCR and borrowed new five-year loans totaling 31.8 billion yen at the end of September, when some loans became due. As a result, the average remaining term to maturity has been extended considerably to about three years, and maturity dates have been staggered. In addition, reductions in financial costs and the LTV ratio have improved the interest coverage ratio. With security interests on some loans released and a committed line of credit worth 6 billion yen established, financial flexibility has also been enhanced.

The asset quality is sound, with 74% of total properties (on an acquisition price basis) located in the 23 wards of Tokyo, an area with strong tenant demand, and the relatively low average age of 6.6 years. Leasable units amount to approximately 9,000, suggesting a very high level of diversification. The occupancy rate has been high at around 95-96%, and a fall in unit rents has been modest. As such, the stability of cash flow is high.

Its sponsor Daiwa House Industry, which has been supporting BLI's operations, is strengthening its commitment to BLI, as evidenced by its moves to send an officer to BLI's asset management company as president in June and make the asset manager a wholly-owned subsidiary in August, as well as by the change of BLI's company name to Daiwa House Residential Investment Corp. scheduled for December. Upon the aforementioned capital increase, the sponsor also provided Shibaura Island Bloom Tower and Royal Parks Hanakoganei it developed. The sponsor's willingness to extend both business and financial support would positively affect BLI's creditworthiness.

The Rating Outlook is Stable. BLI's stable cash flow, diversified portfolio and strong support from the sponsor with a proven track record constitute its advantages. The occupancy rates of high-grade properties have largely improved, and there has also been steady progress since the merger in improvement of portfolio quality through the acquisition and sale of properties. Meanwhile, the LTV ratio remains high, albeit lower than before. As the challenging environment for the issuance of investment units continues, some attention should be paid to BLI's leverage control going forward.

The primary rating methodologies applied to this rating are provided at "Basic Methodologies for R&I's Credit Rating" and "Rating Methodology for J-REIT". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

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ISSUER: BLife Investment Corp. (Sec. Code: 8984)

RATING: Issuer Rating
A+, Previously (A)

RATING OUTLOOK: Stable

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