



# NEWS RELEASE

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## R&I Changes Outlook Negative: Japan Single-residence

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

**ISSUER:** Japan Single-residence REIT Inc. (Sec. Code: 8970)  
**Issuer Rating**

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

### **RATIONALE:**

Japan Single-residence REIT Inc. (JSR) is a Japanese real estate investment trust (J-REIT) which became listed in July 2005. JSR mainly invests in rental housing for singles. The REIT's three sponsors are Invoice RM Inc., Lehman Brothers Investments Japan Inc. and K.K. DaVinci Holdings.

Financing costs surged considerably when JSR refinanced in July the 10.6 billion yen term loan and approximately 6.1 billion yen revolving credit loan, and its profit declined massively. JSR does not have a constant main bank which particularly is deemed as an uncertainty for securing financings amid the severe financial environment. Although JSR aims to reduce debt from the sales of properties and expand transactions with financial institutions, it will take considerable time for improving the funding conditions given the recent market environment. The Rating Outlook is thereby changed to Negative from Stable. R&I will observe the future refinancing trends.

On the other hand, no particular issue is noted in its leasing business itself. Average building age of its portfolio is new at less than 4 years and JSR primarily investments in rental housing conveniently located in major cities. Occupancy ratio over the past one year is relatively high in the 93-95% range. Moreover, the ratio of debt to total asset as of the end of July is 52% and JSR intends not to increase the debt ratio in the near term.

Sponsors include a group company of a failed Lehman Brothers Holdings Inc., but its involvement in JSR's operation is limited and R&I sees the rating impact to be small.

### **R&I RATINGS:**

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**ISSUER RATING:** A- (Affirmed)  
**RATING OUTLOOK:** Negative (Changed from Stable)

Issuer Rating is 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 the 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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