MOODY'S

Announcement: Moody's reviews four J-REITs ratings for downgrade

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Tokyo, February 20, 2012 -- Moody's Japan K.K. has placed the ratings of four J-REITs on review for possible downgrade.

Details as follows,

Nomura Real Estate Office Fund, Inc. (NOF):

Issuer and senior unsecured long term ratings, A2 and the short term rating, Prime-1 Placed Under Review for Possible Downgrade

Japan Prime Realty Investment Corporation (JPR):

Issuer and senior unsecured long term ratings, A2 Placed Under Review for Possible Downgrade

Global One Real Estate Investment Corporation (GOR):

Senior unsecured long term ratings, A3 Placed Under Review for Possible Downgrade

Top REIT, Inc. (TOP):

Issuer and senior unsecured long term ratings, A3 Placed Under Review for Possible Downgrade

RATING RATIONALE

This review has been prompted by Moody's growing concern that the weak office-leasing market in Japan and the tough conditions for the J-REITs equity finance market will delay improvements in the financial leverage and profitability of the four J-REITs.

In this review, Moody's will measure the likelihood of improvements in their financial leverage, profitability, and liquidity coverage for debt repayments, and consequently will either confirm their ratings or downgrade them.

In the Tokyo office leasing market, the occupancy rate remains sluggish due to the recession. Additionally, new supply from 2012 will prevent any tightening and bottoming out in leasing prices. Moreover, the profitability of retail properties in Japan is weak due to low levels of personal consumption. Such developments mean rental discounts and cancellations of leasing agreements by retail tenants.

As a result of the continuously softening leasing market, the debt-to-EBITDA ratios of all four J-REITs are higher than the levels appropriate for their respective current ratings. Improvements in profits will depend on the quality of the portfolios managed by each company. Moody's will focus on the improvement in debt-to-EBITDA as a result of their achievements in profit management.

For example, in the portfolios of NOF and TOP, leasing of vacant floors in office buildings will help profits recover, but further downward moves for rentals in entire portfolios should be considered.

JPR's portfolio has avoided a large fall in its average occupancy rate due to its well-diversified nature and long-term lease agreements for retail properties. But, as well as for the two issuers above, the further effects of negative pressure on rentals needs to be examined.

In GOR's portfolio, which has seen profits decline due to the exit of the main tenant in its largest asset, the average occupancy rate has been improving through leasing activities these last two years. It has also seen substantial downward adjustments on agreed rents. But profitability is close to bottoming.

However, Moody's needs to carefully consider the effects of exits by tenants and rent discounts because the diversification of GOR's portfolio is relatively low.

Moody's will also assess how these four J-REITs' investment and finance policies will likely improve their leverage.

The loan-to-value of NOF, JPR and TOP remains at a high level within the limit appropriate for their current rating levels. On the other hand, GOR conservatively maintains its leverage within the level appropriate for its current rating. Moreover, all of four issuers have also adopted conservative financial approaches, including the diversification of their debt durations and financial resources and increase of fixed rate borrowings.

Improvements in leverage will require sufficient equity finance, which should be possible by increasing dividend payments, based on higher portfolio profitability; by improving the demand and supply balance; and by achieving higher trading volumes in the J-REIT equity market. However, the equity market -- given its difficult conditions -- is likely to take some time to recover.

Moody's is particularly focused on liquidity coverage, as measured by liquidity sources, including cash, cash equivalent, and committed bank lines, against debt maturing over the next 12 months, when assessing the ratings of J-REITs which are capital-intensive businesses.

The liquidity coverage ratio of NOF is over 100%, JPR is close to 100%, and GOR is close to 80%, and TOP's ratio is lower than the other three. However, GOR and TOP have maintained strong relationships with their lenders, who are also their sponsors and major Japanese banks, thereby alleviating any immediate concerns.

Please see the ratings tab on the issuer/entity page on the Moody's website for the last rating action and the rating history.

The principal methodology used in this rating was Moody's Global Rating Methodology for REITs and Other Commercial Property Firms published on October 1, 2010, and available on www.moodys.co.jp.

Nomura Real Estate Office Fund, Inc, headquartered in Tokyo, is a J-REIT listed in December 2003 that invests in and manages office buildings and owned 48 properties and worth about JPY 367.7 billion as of October 2011. Its operating revenue for the fiscal half-year ended October 2011 was JPY 13.6 billion.

Japan Prime Realty Investment Corporation, headquartered in Tokyo, is a J-REIT listed in June 2002 that invests in and manages office buildings and retail properties and owned 56 properties worth about JPY 341.6 billion as of June 2011. Its operating revenue for the fiscal half-year ended June 2011 was JPY 11.5 billion.

Global One Real Estate Investment Corporation, headquartered in Tokyo, is a J-REIT listed in September 2003 that invests in and manages diversified types of real estate and owned 8 properties worth about JPY 148.5 billion as of September 2011. Its operating revenue for the fiscal half-year ended September 2011 was JPY 4.1 billion.

Top REIT, Inc, headquartered in Tokyo, is a J-REIT listed in March 2006 that invests in, and manages office buildings, residences and retail properties and owned 17 properties worth about JPY 177.4 billion as of October 2011. Its operating revenue for the fiscal half-year ended October 2011 was JPY 5.8 billion.

Takahiro Okubo

Vice President - Senior Analyst
Structured Finance Group
Moody's Japan K.K.
Atago Green Hills Mori Tower 20fl
2-5-1 Atago, Minato-ku
Tokyo 105-6220
Japan
JOURNALISTS: (03) 5408-4110
SUBSCRIBERS: (03) 5408-4100

Koji Kumamaru
MD - Structured Finance
Structured Finance Group
JOURNALISTS: (03) 5408-4110
SUBSCRIBERS: (03) 5408-4100

Releasing Office:
Moody's Japan K.K.
Atago Green Hills Mori Tower 20fl
2-5-1 Atago, Minato-ku
Tokyo 105-6220
Japan
JOURNALISTS: (03) 5408-4110
SUBSCRIBERS: (03) 5408-4100

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