



# NEWS RELEASE

Sep 3, 2010

## R&I Affirms A+, Stable: Premier Investment Corp.

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

**ISSUER:** Premier Investment Corp. (Sec. Code: 8956)  
Issuer Rating

**R&I RATING: A+ (Affirmed)**  
**RATING OUTLOOK: Stable**

### **RATIONALE:**

Premier Investment Corp. (PIC) is a real estate investment trust (J-REIT) that invests in office buildings and residential properties in the Tokyo Metropolitan area. In May 2010, NTT Urban Development Corp. (Sec. Code: 8933, Issuer Rating: AA-) acquired a 53.1% stake in Premier REIT Advisors Co., Ltd. (PRA), the asset management company of PIC, and replaced Ken Corporation Ltd., Sohgo Real Estate Co., Ltd. and the Chuo Mitsui Trust group as a main sponsor of the REIT.

Together with the acquisition of the shares in PRA, NTT Urban Development subscribed for 3 billion yen of new investment units in PIC under private placement and dispatched four directors and an auditor (including part-timers) to PRA. As NTT Urban Development has strong creditworthiness, its presence as a sponsor would help further increase the stability of PIC's funding base. Given the sponsor's proven track records in the operations of office buildings and other real estate, PIC can also expect support for its business operations.

PIC has no immediate plan to change its strategy of investing solely in office buildings and residential properties in the Tokyo Metropolitan area. Its current portfolio is comprised of 49% office buildings and 51% residential properties. 74% of these are located in the five central wards of Tokyo, an area where demand for rental housing is relatively strong. In May 2010, PIC acquired the Iwamotocho Building in Chiyoda Ward, Tokyo, for 6.7 billion yen.

As of the end of July 2010, the occupancy rates of PIC's office buildings and residential properties are 91.3% and 94.9%, respectively. While adjustments of rent levels led to a recovery in the occupancy rates of residential properties, those of office buildings are lower than in the past, resulting in comparatively weak cash flow in the rental business. In the fiscal period ending April 2011, large tenants will also move out. Given the concentration of PIC's properties in central Tokyo, the occupancy rates will unlikely keep falling for a prolonged time. That said, R&I will continue to keep an eye on how PIC is able to reduce vacant rooms and achieve an earnings recovery in the future.

PIC intends to keep the loan to value (LTV) between 40% and 50%. Even when a series of capital increases expanded the asset size, the LTV was largely controlled within this range. As of the end of April 2010, the total appraisal value was lower than the total book value. Due to a relatively large number of properties acquired prior to a surge in real estate prices, however, an aggregate unrealized loss stands at only around 3% of the total book value.

PIC's debt consists mainly of long-term, fixed-rate borrowings. Long-term and fixed-rate borrowings accounted for 97% and 88%, respectively, of the total debt as of the end of August 2010. All of the debt is unsecured and non-guaranteed. PIC continues to obtain stable borrowings from domestic major banks. In May 2010, PIC received 3.9 billion in a 5-year loan to fund part of its property acquisition. The REIT also raised 7 billion yen through bond issuance in August, to redeem 15 billion yen of bonds maturing in September. The remaining 8 billion yen is expected to be borrowed in a 5-year loan from three major financial institutions.

The Rating Outlook is Stable. Although the deterioration of the office building market remains a cause of concern, PIC's creditworthiness will likely be underpinned by its competitive properties, conservative financial policy and stable funding base. R&I will pay close attention to whether PIC is able to recover the profitability of its portfolio, increase its assets through external growth and improve the quality of the portfolio, by capitalizing on the support from the new sponsor.

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The primary rating methodologies applied to this rating are provided at "R&I J-REIT Rating Methodology" and "Basic Methodologies for R&I's Credit Rating". The methodology is 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/sf/about/methodology/index.html>

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

**R&I RATINGS:**

**ISSUER:** Premier Investment Corp. (Sec. Code: 8956)  
**ISSUER RATING:** A+ (Affirmed)  
**RATING OUTLOOK:** Stable

**ISSUE:** Preliminary Rating for the Shelf Registration (Bonds)  
Issue Amount: Yen 70,000 million (Shelf Amount)  
Issue Period: Two years from Sep 07, 2009

**R&I RATING:** A+ (Affirmed)

<b>LONG-TERM ISSUE RATING:</b>	<b>Issue Date</b>	<b>Redemption</b>	<b>Issue Amount (mn)</b>
Unsec. Str. Bonds No.1	Sep 08, 2005	Sep 08, 2010	Yen 15,000
Unsec. Str. Bonds No.2	Sep 08, 2005	Sep 07, 2012	Yen 10,000
Unsec. Str. Bonds No.3	Aug 18, 2010	Aug 16, 2013	Yen 7,000

**R&I RATING:** A+ (Affirmed)

A preliminary rating is assigned when a provisional credit rating is needed for an individual obligation on which final terms have not been determined. A credit rating finally assigned may differ from the preliminary rating depending on, among others, the details of the actual contract of the individual obligation.

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