

# Japan Prime Realty Investment Corp.'s Unsecured Bonds Series 13 And 14 Assigned 'A' Ratings

**Primary Credit Analyst:**

Yumi Oikawa, Tokyo (81) 3-4550-8775; yumi\_oikawa@standardandpoors.com

**Secondary Contact:**

Roko Izawa, Tokyo (81) 3-4550-8674; roko\_izawa@standardandpoors.com

TOKYO (Standard & Poor's) Oct. 18, 2011--Standard & Poor's Ratings Services today said that it has assigned its 'A' rating to Japan Prime Realty Investment Corp.'s (JPR; A/Stable/A-1) proposed ¥7.0 billion series 13 unsecured bond (coupon rate: 0.95%), due Oct. 25, 2016, and to its proposed ¥2.0 billion series 14 unsecured bond (coupon rate:1.34%), due Oct. 25, 2018. Our ratings on the proposed series 13 and series 14 bonds reflect JPR's relatively strong business position in the Japanese REIT (J-REIT) market, its well-diversified and high-quality property portfolio, as well as its high liquidity on hand and financial flexibility.

JPR has secured a relatively strong position in the J-REIT market, backed by the real estate management and development capabilities of its sponsors, which include Tokyo Tatemono Co. Ltd. (NR). As of Sept. 30, 2011, JPR owned a portfolio of 43 office buildings and 14 retail properties with a total purchase price of about ¥345 billion.

As JPR is able to procure funds in a steady manner and has ample liquidity on hand, it has tapped into these strengths to make acquisitions. In particular, the J-REIT acquired Ginza Sanwa Building (Chuo Ward, Tokyo; purchase price: ¥3.4 billion) in August 2011, showing that it is able to maintain moderate external growth. In addition, JPR is strengthening its financial base, and we regard this as a positive factor for the J-REIT's credit quality. Specifically, the J-REIT secured additional committed credit lines from July 2011 to October 2011, and as of July 8, 2011, JPR no longer had any secured borrowings from financial institutions outstanding.

On the other hand, we see risk factors that may affect JPR's credit quality: (1) JPR's profitability and interest coverage indicators remain weak amid severe business conditions; (2) it has a level of unrealized losses in its portfolio, indicating that the J-REIT's financial buffer has weakened, although the rate of increase in these losses has slowed; and (3) its debt-to-capital ratio is hovering at levels that are slightly high compared with the J-REIT's cruising level. However, it is our view that these risks are partially mitigated by: (1) some expected revenue support from newly acquired properties; (2) JPR's track record of controlling its debt level; and (3) its improving occupancy rates.

RELATED CRITERIA AND RESEARCH

"Key Credit Factors: Global Criteria For Rating Real Estate Companies," published June 21, 2011

"Principles Of Credit Ratings," published Feb. 16, 2011

"Rating Policy For Japanese Real Estate Investment Trusts," published May 9, 2001

A Japanese-language version of this media release is available on Standard & Poor's Research Online at [www.researchonline.jp](http://www.researchonline.jp), or via CreditWire Japan on Bloomberg Professional at SPCJ <GO>. Complete ratings information is available to RatingsDirect subscribers on the Global Credit Portal at [www.globalcreditportal.com](http://www.globalcreditportal.com) and RatingsDirect subscribers at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

Copyright © 2011 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).