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Nomura Real Estate Residential Fund Inc.

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Rationale

On July 18, 2007, Standard & Poor's Ratings Services assigned its 'A+' long-term and 'A-1' short-term corporate credit ratings to Nomura Real Estate Residential Fund Inc. (NRF). The outlook on the long-term corporate credit rating is stable.

Corporate Credit Rating

A+/Stable/A-1

Major Rating Factors

Strengths

- The highly regulated nature of Japanese Real Estate Investment Trusts (J-REITs)
- NRF's relatively strong business position and conservative financial policy
- NRF's highly diversified residential property portfolio, which generates stable cash flow
- The real estate development and management capabilities of NRF's sponsor, Nomura Real Estate Holdings Inc. (NR)
- The real estate expertise, track record and high recognition of NRF's asset-management company, Nomura Real Estate Asset Management Co. Ltd. (NREAM) in the J-REIT market

Concerns

- NRF's ability to maintain current profitability levels
- NRF's ability to maintain or improve the competitiveness of the somewhat older properties in its portfolio

Outlook

The outlook on the long-term rating is stable. The company will generate stable income by maintaining relatively high asset quality and a conservative financial profile. This will be achieved by obtaining its sponsor's support in expanding its property portfolio. Debt-to-capital ratios will likely remain within a range of marginal fluctuations due to the company's diversified asset portfolio, which focuses on residential properties.

A corporate credit rating (or issuer credit rating) represents Standard & Poor's current opinion of an obligor's general creditworthiness, or the creditworthiness of an obligor with respect to a particular debt security or other financial obligation. In other words, the rating represents the company's overall ability to meet its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. A rating is not a recommendation to buy or sell any securities or stocks issued by NRF. This rating report is based on information as of July 18, 2007. Corporate credit ratings in this report are indicated as 'long-term/outlook/short-term'. N.R. denotes 'not rated'.

Rating Analysis

Rating approach for J-REITs

Standard & Poor's published its rating approach for J-REITs in May 2001, in an article titled "Rating Policy for Japanese Real Estate Investment Trusts". The above rating has been assigned in accordance with the methodology outlined in that article.

Credit characteristics of J-REITs

J-REITs are governed by various sets of legal requirements under the Investment Trust Law, which was revised in November 2000. The business purpose of J-REITs is limited to the acquisition, holding, and selling of cash-flow generating properties. The entities are prohibited from engaging in other business and are subject to strict disclosure requirements. J-REITs are required to outsource all aspects of their real estate investment and asset management functions to an external asset management company. They are also prohibited from having their own offices or hiring employees.

As a result, in essence they are more like Special Purpose Companies (SPCs), similar to those used in securitization transactions. Hence, the operations of J-REITs are likely to be more transparent and the associated risks are likely to be more predictable than those of public corporations, such as real estate companies. Under the current interpretation of the Investment Trust Law, it may be difficult for J-REITs to engage in full-scale development projects, which sets them apart from REITs in other countries, such as U.S. REITs or Australian Property Trusts. In general, development projects provide REITs with an opportunity for future income and growth, but at the same time expose them to land risk, approval and licensing risk for development, construction risk, and construction completion risk, which may, in turn, increase the unpredictability of overall business risk.

Business Profile

Business foundation and market position

NRF was established in August 2006 and was listed on the Tokyo Stock Exchange in February 2007. There are now 41 listed J-REITs, of which eight specialize in residential properties. In terms of its asset base based on purchase price, NRF is currently the fifth largest J-REIT that invests in residential properties. Nomura Real Estate Holdings Inc. is the sponsor of NRF's asset management company, NREAM. Moreover, group company Nomura Real Estate Development Co. Ltd. (NR) owns 18.36% of NRF. NREAM established NRF after NREAM was licensed by the Financial Services Agency to conduct changes in its business methods under the Investment Trust Law, as of February 2006. NREAM accumulated substantial J-REIT management skills by managing Nomura Real Estate Office Fund Inc. (NOF; A/Stable/A-1), and achieved high recognition in the J-REIT market. Standard & Poor's regards NREAM's management expertise as being fully applied to the establishment, listing, and operation of NRF.

Standard & Poor's also believes that NRF's growth potential is not limited by the fact that it has only one sponsor, since third parties developed about 82% of its acquired residential properties. Moreover, third parties provide NRF with adequate information on properties. Additionally, the sponsor has a certain track record regarding the real estate leasing business for residential properties, having managed a private fund for five years*, and employees who operated the private fund have transferred to NREAM.

*From July 2001, sponsor-related company Nomura Real Estate Investment Management Co. Ltd. (NR) started to operate a private fund that invested in residential properties. Through the management of the private fund, the sponsor obtained about five-years' worth of management experience regarding residential properties. The private fund has now ceased operations.

Sponsorship Breakdown (May 31, 2007)				
Sponsors	NRF		NREAM	
	# of units	% shares	# of units	% shares
Nomura Real Estate Development	12,500	18.36%	6,000	100%
Other	55,600	81.64%	0	0%
TOTAL	68,100	100%	6,000	100%

Although the sponsor is not directly involved in NRF's management, its credit standing plays an important role in determining NRF's credit quality, as the firm is closely involved in the business operations of NREAM through the provision of human resources and real estate expertise. Standard & Poor's conducted a comprehensive analysis of the sponsor, assessing its real estate development and management capabilities, credit profile, and commitment to NRF. These factors are reflected in the ratings on NRF. As shown in the table above, NRF's units are also held by a number investors other than the sponsor.

Asset quality

As of the end of June 2007, NRF owned a portfolio of 91 residential properties consisting of 4,339 leasing units (including 12 stores) with a combined value about ¥70.4 billion, based on purchase price. NRF targets a stable and well-balanced portfolio through the acquisition of residential properties under three brands: PROUD FLAT, which was developed by Nomura Real Estate Development, and PRIME URBAN and URBAN STAGE, which were created by other developers. Units smaller than 30 sq. meters account for about 82% of the company's portfolio. Although the initial 91 properties include some older properties, NRF's portfolio is of a relatively high quality and includes highly competitive properties located in convenient areas within commuting distance from central Tokyo, such as URBAN STAGE Kachidoki (Kachidoki, Chuo-ku, Tokyo), PROUD FLAT Sumida Riverside (Shinkawa, Chuo-ku, Tokyo), and PRIME URBAN Monzen-nakacho (Monzen-nakacho, Koto-ku, Tokyo). Having positioned PROUD FLAT properties at the core of its portfolio, NRF plans to expand its portfolio. PROUD FLAT properties are high quality leasing properties, leveraging the knowhow of Nomura Real Estate Development's condominium brand, the PROUD series. As the ratio of PROUD FLAT properties in the portfolio increases, the quality and age of the portfolio properties will likely improve.

Age of buildings and maintenance

The weighted average property age is about seven years, which is considered low. All of the properties were built after 1981, when a new construction code with more stringent anti-earthquake standards was introduced. On the other hand, the portfolio includes some properties that are somewhat old, with about 9.2% built over 20 years ago. Each of these properties is maintained well, having benefited from a certain degree of renovation and repair work during the period when they were managed by the private fund. Facility obsolescence due to aging cannot be avoided for residential properties, and this may affect the competitiveness of the properties. The company will be challenged to maintain and improve the competitiveness of these properties. The company plans to carry out further renovation and repair work under a schedule that avoids concentration of such activities in certain time periods, backed by strength of diversification over property age and portfolio. On the property management front, NRF aims to boost operational efficiency by selecting property management firms that best match the regional characteristics and target tenants of each property.

Occupancy rate/rent levels

As of the end of May 2007, the portfolio's average occupancy rate, based on end tenants, was relatively high at 95.4%. Standard & Poor's assessed the actual rent paid to NRF by the respective tenants by examining the rent rolls for each property, and concluded that the current rent levels are in line with sub-market rents. NRF has achieved this favorable performance via a selective property acquisition strategy that targets tenants with stable leasing demand, and by choosing property management firms that best match the regional characteristics of the properties and target tenants. While residential property rents have risen moderately in comparison with those of office buildings, Standard & Poor's believes there may be a certain degree of future internal growth, given that NRF's portfolio includes properties with potential for rent hikes.

Legal ownership of property

Of the 91 assets in the portfolio, 90 are held under fee simple ownership and 100% condo-ownership. Regarding the remaining property, URBAN STAGE Komagome (about 0.6% of the total purchase price), the portion deemed as a street is 50% co-owned under Article 42, Provision 2 of the Construction Standard Act. The ratio of properties not under fee simple ownership in NRF's portfolio is extremely low and within a range considered acceptable by Standard & Poor's.

Diversification and stability

NRF's portfolio is diversified, comprising 91 properties as of end of June 2007. The top four properties account for about 12.5% of the total portfolio value, and the top 10 account for about 25.3%, a level of diversification that benefits the company in terms of credit quality. Stable rental revenue is expected, given the relatively high occupancy rate of the portfolio and its tenant diversification.

Property type/geographic diversification

NRF strategically limits its investments to residential properties, focusing on those for rent. Standard & Poor's regards residential properties as generally generating more stable cash flow than other types of properties. This is mainly because they have a diverse range of tenants, high substitutability, and rent levels whose fluctuations are limited amid changes in the economic climate. The company's strategy is to focus its investments in the Tokyo metropolitan area (more than 70% of the portfolio), as well as three other major metropolitan areas, and other major cities around the country, including designated ordinance cities. The properties are mainly located in the Tokyo metropolitan area, with others located in Sapporo, Sendai, Nagoya, Osaka, and Fukuoka. About 92% of NRF's portfolio is currently concentrated in the Tokyo metropolitan area (about 82.3% in the 23 main wards, about 9.7% in other areas). Standard & Poor's does not view asset concentration in Tokyo as a concern because Tokyo has the largest and most liquid real estate market in Japan, and firm demand is expected due to an increase in the number of households living in the capital.

Diversification of property value

As mentioned above, the portfolio is highly diversified, with the four largest properties accounting for about 12.5%, and the 10 largest properties for about 25.3%. The portfolio has limited property concentration risk, with even the largest property, URBAN STAGE Kachidoki, accounting for about 3.3% of the entire portfolio.

Tenant composition

The portfolio has 4,339 leasing units (including 12 stores), and tenant diversification is very high. The company mainly targets single occupiers and households with dual income but no kids (DINKS) that can afford monthly rent of generally less than ¥100,000, and between ¥100,000 and ¥150,000, as the company believes such tenants provide

sustainable demand. Although the company mainly targets individual tenants, it selectively purchases properties near educational facilities, looking to tap student demand, as well as properties that satisfy the needs of corporations shifting from dormitory ownership to dormitory lease. Property management companies also serving as master lessees carry out tenant management duties.

Insurance/earthquake risk

All the properties in NRF's portfolio are covered by fire insurance and general liability insurance. The probable maximum loss (PML) of the properties ranges between 3.0% and 19.1%. The PML for the entire portfolio was 9.1% as of Nov. 21, 2006. Risks related to damage caused by earthquakes are limited on the whole, given that NRF sets its property selection standards in line with the more stringent anti-earthquake standards seen in the new construction code, or in some cases even stronger than the code standards.

Standard & Poor's Underwriting Value

Standard & Poor's underwrote the individual cash flows and property values for 63 properties after conducting onsite inspections of 65 properties (accounting for about 85% of the entire portfolio based on purchase price) out of the 91 properties in the portfolio.

The purpose of this underwriting was to confirm that NRF had acquired these assets at reasonable prices. As a result, Standard & Poor's determined that NRF's acquisition prices were appropriate. Standard & Poor's adopts a Direct Capitalization Method for property underwriting, by which the net cash flow (NCF) that a property is expected to generate for the next few years on average is divided by a cap rate to determine the property price. The outlines of the core properties can be found at the end of this report.

Operating Strategy/Management

Investment strategy

NRF limits its investments to residential properties, focusing on those for rent, in keeping with a strategy of mid- to long-term stable management. While residential properties generally include short-stay apartments, service apartments, dormitories, and housing for senior citizens, NRF does not plan to invest in service apartments and housing for senior citizens in the near term. Standard & Poor's will monitor this strategy, as these assets require specific operations. NRF makes investment decisions after positioning rent level, rail access and commuting time as central factors in its property selection and investment process. As NRF has a strategy of targeting tenants that offer stable rental demand, NRF regards single occupiers and DINKS as core tenants. Specifically, it targets tenants in an income class comprising a large number of households (annual income ¥4 million to ¥9 million), and tenants that can afford monthly rent of less than ¥100,000, or ¥100,000 to ¥150,000. NRF limits its investment amount per property to 30% of the portfolio value or less, and the number of units to about 100, as relatively short-term lease-up is possible for up to 100 units.

To acquire prime properties with prospects of stable rental demand at an early stage, the company is considering investing in properties that are under development. But in such cases, the company would avoid risks associated with property development, including building completion risk and problems related to sales agreements. In general, NRF adheres to a policy of only making payments after a building has been completed.

Internal growth strategy

NRF aims to improve the efficiency of its operations, and to improve occupancy rates and rents by selecting property management firms that match the relevant property characteristics. Regarding renovation and repair work on older properties in the portfolio, the company aims to use the technology and expertise of its internal engineering staff, and that of Nomura Real Estate Development and its related companies. NRF believes this will lead to more efficient renewal and repair work, and the accumulation of maintenance and competitiveness knowhow in the long term. The company plans to position the development and acquisition of PROUD FLAT properties at the core of the portfolio by leveraging the knowhow of Nomura Real Estate Development's condominium brand, the PROUD series.

They will pursue internal growth based on strategic cooperation with Nomura Real Estate Development and its related companies.

External growth strategy

NREAM entered into an agreement on information provision with Nomura Real Estate Development and Nomura Real Estate Urban Net Co. Ltd. (NR). Based on this agreement, when both companies sell properties that match NRF's investment criteria, they will notify NREAM of such information prior to the third party. In addition, both companies inform NREAM promptly of brokerage information when brokerage operations are entrusted to both companies. Such collaboration with sponsor and group companies ensures NRF's acquisition of stable and highly competitive properties. NRF aims to expand the asset size of its portfolio somewhat aggressively to ¥300 billion by March 2013, implying an annual growth rate of about 28%. However, this is a rough timeline and the company plans to generate steady portfolio growth by taking its capital structure into consideration. NRF is expected to pursue stable external growth through the Nomura Real Estate Development group's network and by acquiring ample new property information from third parties. In respect of portfolio growth, leverage control will become important. Given NRF's diversified portfolio, focused on residential properties, the debt-to-capital ratio will remain within a narrow range.

Property management

NRF outsources property management, tenant leasing operations, and master lease to 19 property management firms. Taking into account portfolio characteristics such as the properties' diverse locations, the large number of units, and the target tenants, NRF selects property management firms that best meet NRF's operating strategy and policies. Specifically, NRF aims to improve its operational efficiency by selecting appropriate property management firms through the following steps:

- Selecting property management firms that have a network of target tenants, such as students and corporations;
- Selecting property management firms that have established credentials in the relevant localities such as the Tokyo metropolitan area and provincial areas; and
- Selecting property management firms with nationwide networks.

As the portfolio is diversified, the selection of property management firms is considered vital for effective market analysis and early-stage leasing activities. Nevertheless, the task of managing and supervising a large number of property management firms places a certain operational and managerial burden on NRF.

These concerns are mitigated to some extent by the strong relationships that were established with the property management firms during the private fund management period, and by the adoption of a unified management system to maximize operational efficiency. NRF will monitor and evaluate the property management firms on an

ongoing basis. Regarding the leasing strategy, NRF performs effective leasing activities, such as promptly grasping residential units with cancellation schedules, and limiting the timing of cancellation.

Conflicts of interest

Under the J-REIT system, a company's entire operation must be outsourced to third-party companies, which tends to increase the potential for conflicts of interest between J-REITs and third parties. Through an interview with NREAM management, Standard & Poor's confirmed that the company introduced adequate measures to mitigate these potential conflicts. For transactions with related companies (including the sponsor) in which conflicts of interests pose the greatest concerns, the sale of properties and the conclusion of property management agreements require discussion and approval at a compliance committee attended by two external specialists, including legal counsel. For property acquisitions from related companies (including the sponsor) the acquisition price should be less than the appraisal value given by third-party independent property appraisers. In fact, NRF has previously acquired all properties at the appraisal value.

The sponsor and the group companies have a policy whereby they do not manage other funds that have the same investment policy as that of NRF. As such, conflicts of interest with private funds within the group are eliminated.

On the other hand, NREAM was the first entity to be granted approval by Japan's FSA to manage several investment corporations. Based on this approval, NREAM began to operate two J-REITs, NOF and NRF, as the asset management firm of these companies.

When one asset management company manages several J-REITs, there are concerns over potential conflicts of interest, despite the potential benefits of sharing employee knowhow and a reinforced human resources structure. Standard & Poor's believes that the concerns outlined above are mitigated, as each J-REIT has its own investment management department, management supervisor, staff and committees, and this structure was decided via discussions with supervisory authorities.

Financial Profile

Standard & Poor's examined NRF's leverage and capital structure in terms of both its debt-to-capital ratio and its loan-to-value (LTV) ratio, based on financial data provided by the company.

The calculations are as follows:

Debt-to-capital ratio = interest bearing liabilities (long-term loans + short-term loans + debentures + Hoshokin liabilities)/total capital (interest bearing liabilities + shareholders' capital).

LTV Ratio = interest bearing liabilities (long-term loans + short-term loans + debentures + Hoshokin liabilities)/(Standard & Poor's underwriting value of property portfolio – outstanding balance of unreserved security deposits).

The LTV ratio is based on Standard & Poor's underwriting value, and therefore reflects the market value of the portfolio. Security deposits are excluded from the denominator if the security deposits from tenants are not separately set aside in cash in an escrow account. In the case of retail properties, it is common for the owners of the properties to fund construction costs via Hoshokin liabilities paid by tenants for a certain period of time, regardless of the leasing agreement period. Hoshokin liabilities, which bear interest and are repaid according to a payment

schedule, have similar characteristics to debt liabilities. For this reason, they are included in the numerator as liabilities when calculating the debt-to-capital ratio and the LTV ratio.

Financial policy

NRF's financial policy is conservative. NRF plans to maintain the company's debt-to-capital ratio at an average of 35% to 45%, or at a maximum of 60%. NRF plans to issue equity in a timely manner when debt-to-capital levels reach around 45%, depending on property acquisitions, and is looking to stabilize its financial leverage. The target ratio is conservative when compared with other J-REITs specializing in residential properties. Regarding its dividend policy, NRF plans to allocate 100% of its distributable income as dividends. Expected dividends per unit for its first fiscal term (ended May 2007) stood at ¥8,102, and the investment period yield for dividends (the number of effective management days was 247) was about 1.3% per annum.

Profitability

For the first fiscal term, NRF posted about ¥1.74 billion in NOI (net operating income) and about ¥0.55 billion in net income. For the second fiscal term (ended November 2007), NOI is estimated at about ¥1.92 billion, and net income at about ¥0.92 billion. NRF's portfolio profitability measures are somewhat low compared to those of other J-REITs holding different types of properties, with ROA of around 4.1% to 4.3% and ROE of around 4.1% to 4.4%. Such measures are expected to decline as other new and high-quality properties, including PROUD FLAT, are incorporated into the portfolio. Future internal growth is viewed as limited to some extent, since NRF specializes in residential properties and rent on such properties only rises moderately. Standard & Poor's will continue to monitor NRF's profitability levels.

Capital structure

NRF's capital structure is conservative. The company's capital structure in the settlement of accounts for the first fiscal term consisted of about ¥41.3 billion in equity and ¥31.5 billion in long-term debt (accounting for about 98.6% of total debt), and about ¥0.4 billion in short-term debt (accounting for the remaining 1.4%). Debt duration is relatively long at about 4.4 years. All borrowings are unsecured, mainly long-term borrowings, and debt maturities are diversified for eight years to 2015, which mitigates refinancing risk. NRF recorded a debt-to-capital ratio (according to Standard & Poor's definition) of about 43% at the end of the first fiscal term. NRF's policy is to maintain an average debt-to-capital ratio of 35%-45%, or a maximum of 60%, which is relatively conservative (for more details, refer to the Financial Policy section). Given the highly diversified portfolio asset specializing in residential properties, the debt-to-capital ratio to remain at the aforementioned level, with fluctuations kept within a narrow range.

Cash flow protection

NRF's relatively high-quality portfolio ensures a stable rental revenue stream. Backed by its relatively solid financial profile, the company's EBITDA interest coverage is expected to remain near 6x. The ratio of funds from operations (FFO) to total debt to remains at 7%-8%. Coverage measures may be affected by moderate hikes in interest rates. However, this concern is mitigated by the high ratio of long-term fixed-rate debt.

Financial flexibility

NRF currently has ample liquidity, with long- and short-term credit available to meet the company's near-term debt maturities, as well as to expand its portfolio. As of the end of May 2007, NRF had approximately ¥6.9 billion in cash and cash equivalents, sufficient to cover immediate operating expenses, including security deposit liabilities.

The entire amount of security deposits is reserved. NRF's financial flexibility is considered high, reflecting its

established relationships with 12 major financial institutions, from which it borrows on an unsecured basis.

Outline Of Top Assets

URBAN STAGE Kachidoki

Address: 5-6, 6-chome, Kachidoki, Chuo-ku, Tokyo.

Public transportation access: A nine-minute walk from Kachidoki Station on the Toei Subway Oedo-line.

Completed: February 1987.

Structure: Apartment building with 10 floors above ground.

Ownership: Fee simple ownership

Purchase price: ¥2,290 million

Appraisal value: ¥2,330 million (price as of the end of May 2007)

rentable area: About 1,356 tsubo

Occupancy rate: 94.6% (as of the end of May 2007)

Rentable units: 144

Comments

The supply of condominiums and other developments in the area surrounding Kachidoki district has increased since the opening of Harumi Toriton Square. Meanwhile, the Kachidoki 6-chome Urban District Redevelopment Project is ongoing. Since the opening of the completed Toei Oedo Line in 2000, transportation access to central Tokyo has significantly improved, and Kachidoki's profile as a waterfront area has been raised. The property consists of residential units of about 20 sq. meters to 43 sq. meters, targeting single occupiers and DINKS. Although the property was built in 1987, appropriate repair work has been carried out including the renovation of common areas and waterproofing work on the exterior. Each unit has also been renovated sequentially. As a result of these renovations, the occupancy ratio remains stable, and the new actual rent paid on some of the residential units (mostly the ones for DINKS) is increasing. Although the property lacks visibility to a certain degree, Standard & Poor's believes there may be strong demand for the property due to improvements in living convenience brought by the opening of retail and medical facilities in the neighborhood in 2008, and rents that are relatively low compared with market norms.

PROUD FLAT Sumida Riverside

Address: 31-7, 1-chome, Shinkawa, Chuo-ku, Tokyo.

Public transportation access: A nine-minute walk from Kayabacho Station on the Tokyo Metro Tozai Line and Hibiya Line.

Completed: February 2007

Structure: Apartment building with 10 floors above ground

Ownership: Fee simple ownership

Purchase price: ¥2,260 million

Appraisal value: ¥2,260 million (price as of the acquisition)

Net rentable area: About 924 tsubo

Occupancy rate: 98.4% (as of the end of June 2007)

Rentable units: 110

Comments

The property, which was built in February 2007, is a high-quality property developed under Nomura Real Estate Development's PROUD FLAT brand. Located on the east side of Chuo Ward, alongside the Sumida River and near the Eitai bridge, the property has high visibility. The building comprises units measuring about 22 to 51 sq. meters designed for single occupiers and DINKS. The units feature high specifications that meet tenant needs, and have a modern, pristine appearance. Although the area features a mixture of residential and commercial properties, strong demand is expected to continue, given its convenient location with about nine-minute walk from Kayabacho Station on the Tokyo Metro Tozai line and Hibiya Line, and its relative proximity to major business bases in central Tokyo such as Otemachi, Kabutocho, Kayabacho and Nihonbashi. Although the property is new, it has been leased up favorably with a high occupancy rate of 98.4%.

PRIME URBAN Monzen-nakacho

Address: 5-7, 1-chome, Monzen-nakacho, Koto-ku, Tokyo.

Public transportation access: A two-minute walk from Monzen-nakacho Station on the Tokyo Metro Tozai Line, and Toei Subway Oedo-Line.

Completed: March 2004

Structure: Apartment building with 12 floors above ground

Ownership: Fee simple ownership

Purchase price: ¥2,200 million

Appraisal value: ¥2,230 million (price as of the end of May 2007)

Net rentable area: About 946 tsubo

Occupancy rate: 97.5% (as of the end of May 2007)

Rentable units: 117

Comments

The property has high visibility and is in a convenient location, as it faces onto Eitai Dori and is a two-minute walk from Monzen-nakacho Station on the Tokyo Metro Tozai Line and Toei Subway Oedo Line. The property therefore offers good subway transportation links to major areas such as Otemachi, Roppongi, Shiodome and Shinjuku. Monzen-nakacho has a reputation as a traditional area, featuring both Fukagawa Fudoson Temple and Tomioka

Hachimangu Shrine. Yet it also has commercial areas that offer shopping opportunities. The property is located at the end of the main shopping street. It mostly features units of about 25 sq. meters, and therefore targets single occupiers. The property maintains a high occupancy rate, given its relative newness, and high traffic and living convenience. Standard & Poor's expects the property to maintain a high level of competitiveness.

Ratings Detail (As Of October 16, 2007)*	
Nomura Real Estate Residential Fund Inc.	
Corporate Credit Rating	A+/Stable/A-1
Corporate Credit Ratings History	
17-Jul-2007	A+/Stable/A-1
*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.	

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