



NEWS RELEASE

Feb 1, 2010

R&I Changes Outlook Stable: Orix JREIT Inc.

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

ISSUER: Orix JREIT Inc. (Sec. Code: 8954)
Issuer Rating

R&I RATING: A+ (Affirmed)
RATING OUTLOOK: Stable (Changed from Positive)

RATIONALE:

Orix JREIT Inc. (OJR) is a real estate investment trust (J-REIT) listed on the TSE in June 2002. OJR is a diversified fund with investments not only in its mainstay office buildings in the Tokyo metropolitan area but also in properties for other uses. The main sponsor is Orix Corp.

For the past few years, OJR has been aggressively acquiring a number of relatively new, competitive properties developed by the sponsor group, and the quality of its portfolio has been improving continuously. Currently, the average building age is approximately 10 years, which is relatively new for a portfolio mainly composed of office buildings. Simultaneously, its portfolio has been diversified with asset size expanding to 270.0 billion yen, and the percentage of the top five properties has been lowered to approximately 30% of the total.

In principle, OJR will invest more than 80% in office buildings and 80% in the Tokyo metropolitan area on an acquisition price basis. Apart from office buildings, new investments will be primarily targeted at versatile logistics facilities where OJR can expect a stable cash flow in the long-term. The ORIX group has affluent experience in developing both office buildings and logistics facilities, which is expected to support OJR's constant external growth into the future.

On the other hand, the cash flow from rental buildings has been sagging amid the weakening office building market. The occupancy rate of its office buildings recovered to 95.8% in November 2009 reflecting their strong competitiveness and leasing capacities of the existing properties even in the harsh environment. However, the effect from free rents and the drop in rents will likely persist for the time being.

With three capital increases, its debt ratio (debt divided by the total amount of debt and unit holders' capital) has been modestly kept within 50% even at the time of asset expansion. OJR plans to retain the ratio at around 40-50%. Like other J-REITs, the term-end appraisal value has been declining. However, since there are many properties which OJR acquired before their prices hiked, the term-end appraisal value as of the end of August 2009 was slightly higher than the book value.

Loans are mainly at long-term fixed rates and from megabanks and trust banks. They are all unsecured loans. OJR has concluded a total of 27 billion yen committed line of credit (LOC) with the four major banks (of which 7.5 billion remain untouched), and maturities are diversified to some extent. Although there are concerns that procurement cost is rising and the remaining average maturity is slightly short (less than two years), OJR is maintaining a relatively stable financial base.

As shown above, R&I has favorably evaluated (1) OJR's high quality and well-diversified portfolio, (2) the support from the sponsor with affluent experience in real estates and (3) the conservative financial management policy --- and therefore has affirmed the rating of OJR. The Rating Outlook was changed to Positive in June 2008. However, following the subsequent rapid deterioration of the real estate market and funding environment, R&I has considered some time will be necessary for OJR to further strengthen its earnings capacity and funding base, which is the requirement for upgrading. Consequently, R&I has changed the Rating Outlook to Stable.

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to repay its financial obligations and its individual obligations (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

©Rating and Investment Information, Inc.



NEWS RELEASE

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/rating/st/methodology.html>

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

R&I RATINGS:

ISSUER:

Orix JREIT Inc. (Sec. Code: 8954)

ISSUER RATING:

A+ (Affirmed)

RATING OUTLOOK:

Stable (Changed from Positive)

In principle, an Issuer Rating is R&I's opinion on an issuer's overall capacity to repay its financial obligations as agreed and is assigned to all issuers. The rating of individual obligations 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.

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to repay its financial obligations and its individual obligations (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

©Rating and Investment Information, Inc.