TRADING UPDATE

Q1 2020

- Strong solvency and liquidity in current uncertain coronavirus environment
- Rent collection of 85% for invoiced rent for month of April and for Q2
- EPRA EPS of € 0.54 per share, driven by like-for-like net rental growth of 9.9%
- Overall vacancy rate of 7.4%
- Final dividend of € 1.12 per share confirmed
- Withdrawing guidance for 2020 due to coronavirus-related uncertainty

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FINANCIAL CALENDAR

Publication half year results 2020	13 July 2020
Publication trading update Q3 2020	22 October 2020
Publication preliminary results 2020	26 January 2021
Publication annual report 2020	5 March 2021
Publication trading update Q1 2021	15 April 2021
AGM	24 April 2020
Ex-dividend date (final dividend 2019)	28 April 2020
Record date	29 April 2020
Stock dividend election period	30 April – 14 May 2020
Payment date	19 May 2020
Ex-dividend date (interim dividend 2020)	14 July 2020

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NSI HIGHLIGHTS

KEY FINANCIALS METRICS[1]

	Q1 2020	Q1 2019	Change
Revenues and Earnings (€ '000)			
Gross rental income	19,283	20,878	-7.6%[2]
Net rental income	14,235	14,736	-3.4%[2]
Direct investment result	10,238	10,365	-1.2%
Indirect investment result	-997	-1,641	
Total investment result	9,242	8,724	5.9%
Earnings per share (€)	0.49	0.47	4.0%
EPRA earnings per share (€)	0.54	0.56	-3.0%
EPRA cost ratio A (incl. direct vacancy costs)	27.1%	27.7%	-0.6 pp
EPRA cost ratio B (excl. direct vacancy costs)	24.9%	25.6%	-0.7 pp

	31 March 2020	31 December 2019	Change
Balance Sheet (€ '000)			
Real estate investments	1,301,239	1,263,089	3.0%
Assets held for sale		15,903	-100.0%
Net debt	-361,173	-352,632	2.4%
Equity	912,550	903,308	1.0%
IFRS equity per share (€)	48.24	47.75	1.0%
EPRA NAV per share (€)	48.48	47.97	1.1%
EPRA NNNAV per share (€)	48.97	47.40	3.3%
Net LTV	27.6%	27.4%	0.2 pp
Number of ordinary shares outstanding	18,917,764	18,917,764	
Weighted average number of ordinary shares outstanding	18,917,764	18,751,178	0.9%

KEY PORTFOLIO METRICS

	31 Mar 2020					
	Offices	HNK	Other	TOTAL	31 Dec 2019	Change
Number of properties[3]	45	14	4	63	65	-3.1%
Market value (€m)[4 5]	966	262	80	1,308	1,287	1.6%
Market value asset (€m)	21	19	20	21	20	4.8%
Market value (€ psm)	3,203	2,063	1,503	2,715	2,620	3.6%
Ann. contract rent (€m)[6]	55	20	7	82	81	0.7%
Ann. contract rent (€ psm)	183	154	130	169	165	2.7%
ERV (€m)[7]	62	23	7	92	92	0.5%
Reversionary potential	7.3%	0.1%	-2.3%	4.8%	5.4%	-0.6 pp
Lettable area (sqm k)	301.6	127.0	53.0	481.7	491.4	-2.0%
EPRA net initial yield	4.4%	4.5%	6.2%	4.5%	4.6%	-0.1 pp
Reversionary yield	6.6%	8.8%	9.2%	7.2%	7.3%	-0.1 pp
EPRA vacancy[8]	4.5%	15.2%	7.6%	7.4%	7.1%	0.3 pp
Wault (years)	4.4	3.1	5.4	4.2	4.2	-1.9%

1 This trading update is based on unaudited results.
2 On a like-for-like basis GRI growth is 6.6% and NRI growth is 9.9%.
3 Two office assets reclassified in Q1 to category Other due to usage of asset as community college and student housing complex.
4 Reported in balance sheet at book value incl. right of use leasehold (IFRS 16), excl. lease incentives and part of NSI HQ (own use).
5 No external appraisal has been carried out in the first quarter, in line with our financial reporting principles.
6 Before free rent and other lease incentives.
7 Excluding ERV for investment properties under construction (Bentinck Huis and Donauweg).
8 In line with EPRA-guidelines EPRA vacancy rate excludes Bentinck Huis and Donauweg, which are currently being redeveloped.

CEO COMMENTS

At NSI we fully recognise the unprecedented social and economic challenges ahead of us now that, since the turn of the year, the coronavirus has turned into a global pandemic. The health and well-being of everyone is first and foremost on our mind at this time.

We, at NSI, are no experts on virology. Our working assumption is that coronavirus will be on the agenda for some time to come, with major ramifications for society and the wider global economy. The Dutch economy is probably already in recession and its length and depth will depend on how the pandemic evolves from here.

Q1 2020: Quiet before the storm

The Q1 2020 interim results reflect none of the issues related to coronavirus and portray a business in control and in excellent health, with interim EPS at € 0.54, a vacancy rate of 7.4%, cash receipts for 99.2% of rent booked in Q1, and positive like-for-likes across the business (gross rents up 6.6%; vacancy rate flat).

We acquired one office asset, ONE20 in Amsterdam Sloterdijk, for € 34.0m (excluding acquisition costs), to strengthen our cluster in this market. The 9,743 sqm building was 31% vacant at the time of acquisition. We are in discussions to lease up part or all of the vacancy. The initial yield is 3.5% and will increase to 5.7% on lease up. Three 'held-for-sale' assets left the balance sheet in Q1, for proceeds of € 16.0m.

For the Laanderpoort project in Amsterdam we are in the process of architect selecting, jointly with ING. At Vitrum in Amsterdam we are progressing with our plans for the redevelopment and possible extension. The redevelopment of Bentinck in central The Hague will be completed early May, and we are in advanced negotiations to lease the entire asset at this stage.

We will continue to advance the preparatory works for all projects and potential projects as part of our development pipeline. Having said that, none of these projects are committed at this stage.

Strong solvency provides an opportunity

There are moments in time when external property valuations are extremely relevant and moments the focus shifts elsewhere. A dearth of transactions in the coming months will in all likelihood be the clearest signal that asset values are under pressure.

We expect that valuations will adjust more rapidly compared to the previous down cycle, as the Dutch property investment market has become much more international and more sophisticated. We expect prime assets in the G5 office markets will prove relatively defensive, with the pressure on capital values greater for more secondary assets and locations.

We are in the fortunate position of having a strong balance sheet, at 27.6% LTV based on December 2019 valuations, with no major debt maturities until June 2023. As such, we can comfortably withstand a possible fall in capital values in the period ahead.

We have the strength and resolve to invest in new opportunities, underpinned by our balance sheet and with € 280m in cash and committed undrawn revolving credit facilities, but we will be prudent and only consider opportunities where pricing is already appropriately adjusted to reflect the new economic outlook.

Liquidity, rent collection & requests for leniency

As of April 15 we have received about 85% of our rent due for April (monthly contracts) and Q2 (quarterly contracts). Normally, we would be at about 92% of rent received at this time. More detail on rent collection and our track record is reported on the next page of this report.

We have received multiple requests for leniency on rent payment, with tenants asking for monthly rents instead of quarterly rents, rent delays, rent holidays, or requests for early lease terminations. These tenants represent circa 24% of the total annual rent roll. We expect the challenges for our tenants to meet their upcoming rent payments for the months and quarters ahead only to increase, if the coronavirus pandemic and resulting lower economic activity continues to last.

At HNK, our in-house flex office business, our Managed Offices, Co-working spaces and memberships often have one-month notice periods. For these flexible contracts we have come up with a blanket custom arrangement on rent due for the month of May, befitting of the short term contract nature. We are looking at all other requests for leniency on a case-by-case basis.

Outlook for 2020

Given the unprecedented backdrop in which we currently operate, it is prudent to withdraw earnings or dividend guidance for 2020. The focus of the business is now first and foremost on health and well-being. At the same time we are in dialogue with our tenants to see if and where we can help during these challenging times.

The ongoing large scale experiment in home/remote working is bound to have longer term implications for office use and set up. Our clear focus on selective asset clusters at or near the major G5 transport hubs, with a focus on value-add initiatives, remains valid and viable, in our view. The road ahead may be less certain in the near term given the uncertain environment, but we are in it for the long run and plan accordingly.

Even in the current environment we are still leasing up offices and retail space, to a variety of customers. We have already signed € 0.7m of future additional annual lease income, which will rise to over € 2m if and when we lease up Bentinck in The Hague in Q2.

We acknowledge the wider debate on dividend payments by stock exchange-listed corporates in the current uncertain environment. We have not asked for any Government support to date and do not intend to ask for any support. We will pay our final dividend of € 1.12 per share in May as planned, which is entirely justified given the current health and liquidity position of the business and is our way to thank our shareholders for their ongoing trust and support.

Stay well and stay safe.
Bernd Stahli

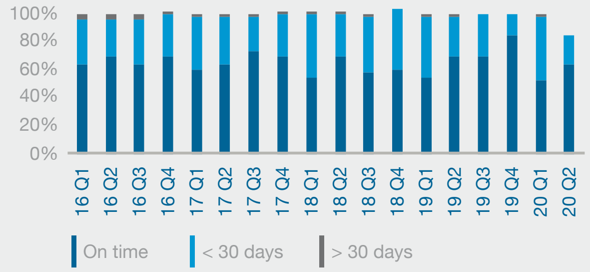
DETAILED UPDATE ON RENT COLLECTION

Historical data and context

Rent collection has always been a steady part of the business at NSI. Since 2016, we have collected over 99% of invoiced rents, with 0.8% of GRI written-off as doubtful debts. Going forward, for the remainder of the year, we will report on how much has been received in cash, how much is still due, how much is restructured or lost through bankruptcies.

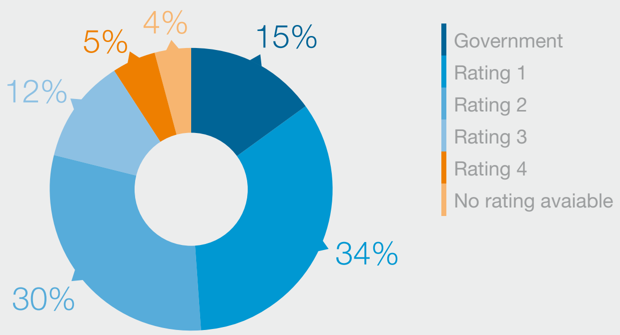
We are starting with a relatively clean slate with, at the end of Q1, the level of debtors at € 0.6m (Dec-2019: € 1.3m) and the provision for doubtful debtors at € 0.2m (0.2% of annual contractual rent).

Historical data on rent collection per quarter[9]



We use Dunn & Bradstreet to assess the credit risk of our customers. According to their latest data 80% of our tenants are in the best three credit risk categories.

NSI portfolio score on D&B rating (% contracted rent)



Late February we send out invoices for € 18.4m in rent due for the month of April (€ 3.4m; monthly contracts) and for Q2 (€ 14.9m; quarterly contracts), due date April 1. On April 1 69.4% of the rent due was received (April 1 2019: 69.6%). As of April 15 rent received has increased to 84.6% of rent due (April 15 2019: 89.8%). This breaks down in 68% of rent received for the month of April and 88% for the Q2 quarter.

Rent collection

	1 Apr 2020	15 Apr 2020
Offices	71.1%	87.2%
HNK	68.3%	85.9%
Other	57.6%	56.6%
Total	**69.4%**	**84.6%**

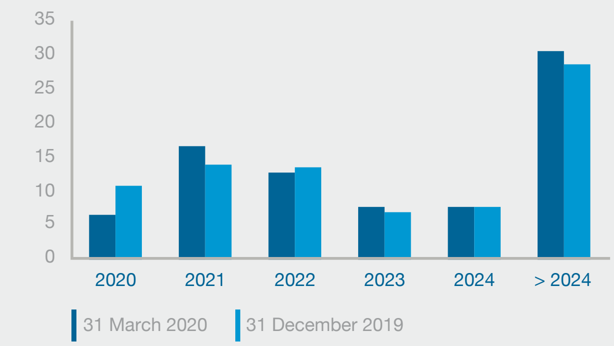
Improving lease expiry schedule

The wault of the portfolio at the end of March is 4.2 years, stable compared to the end of December 2019. The Q1 retention rate is high, at 88.9% for the total portfolio, with Offices at 100%, HNK at 63% and Other at 100%.

The remaining non-flexible leases for 2020, expiring in Q2-Q4 2020, represent € 6.7m of annual contracted rent. Of this, for € 3.9m of annual rent a lease renewal has already been agreed, for € 0.5m of annual rent tenants have yet to decide, whilst for the remaining € 2.3m tenants have given notice and will leave. Consequently the retention rate at the end of 2020 will be between 64% - 72%.

The € 2.3m in notices given for 2020 will be largely neutralised by future leases, with leases already contracted and starting in 2020 having an annual contracted rent of € 0.7m. The expected lease up of Bentinck (ca €1.5m), which is in advanced negotiations, and any further incremental leasing will add to this.

Lease expiry schedule (€m)



Since the start of the coronavirus pandemic in The Netherlands in March in total 16 tenants representing € 117k in annual contracted rent have given notice, citing coronavirus as a reason. These are included in the lease expiry analysis for 2020 as above.

Rent relief requests per business line

There is no obvious pattern to the request for rent relief in our office and HNK portfolio in terms of sectors, except perhaps for a larger proportion of smaller tenants in HNK asking for support.

Circa 80% of unpaid office rent relates to two large occupiers. One has asked to pay rent monthly and has indicated to pay by mid-month, the other is a high-end flex office operator, and one of NSI largest tenants. At HNK, to help alleviate the pressure on smaller businesses, and befitting of the nature of the HNK offering, we have decided to waive rent for the month of May for all flexible contracts (i.e. Managed Offices, Co-working and memberships). We believe this is the right thing to do in the current environment, at a one-off cost of € 0.4m in monthly revenue and non-recoverable service charges.

In retail, our supermarkets and drugstores appear to be operating normally. We have given F&B operators that have been ordered to close down the opportunity to suspend payments for the month of April. We are in ongoing dialogue with all affected retailers.

9 For Q2 2020 only 15 days collection post payment date

INCOME, COST AND RESULTS

Introduction

EPRA EPS is € 0.54 in the first quarter. This is a 3.0% decrease compared to the same period last year. The fall reflects the impact of sizeable net asset disposals in 2019, the negative effect of which is almost entirely compensated for by strong like-for-like rental growth over the period.

Rental income

Gross rental income in Q1 is down by 7.6% (€ 1.6m) compared to Q1 last year. This is entirely due to disposals in 2019, as on a like-for-like basis gross rents are up by 6.6%.

Due to the 2019 disposals net rental income is down as well. The decrease in NRI is 3.4% compared to Q1 last year, but net rent is up by 9.9% on a like-for-like basis. The much better performance of NRI vs GRI is due to lower operating costs in Q1 this year.

Non-recoverable service charges are down by 28% in total and 25% down on a like-for-like basis, due to lower overall costs and due to a higher amount re-charged to tenants due to a lower vacancy rate.

Income segment split Q1 2020 (€ '000)

	Offices	HNK	Other	TOTAL
Gross rental income	13,030	4,563	1,690	19,283
Service costs not recharged	-187	-83	-65	-335
Operating costs	-2,553	-1,539	-621	-4,713
Net rental income	**10,289**	**2,941**	**1,005**	**14,235**

Operating costs

Operating costs are 17.0% (€ 1.0m) lower compared to the first three months of 2019. This is mainly due to decreased municipal taxes given the smaller number of assets owned and lower letting costs in Q1 2020. The Q1 net rental margin of 73.8% is 3.2pp higher than last year (70.6%). Margins in the first quarter are typically lower than in other quarters as under IFRIC21 the annual costs for municipal taxes are charged in the quarter these are incurred (typically Q1) rather than straight-lined over the year.

Administrative expenses

Administrative expenses for the three month period are € 2.0m, a 12.6% (€ 0.3m) increase compared to Q1 2019. The increase is explained by wage inflation and a rise in average FTE to 45 (Q1 2019: 42). The increase in Q1 is set to level off substantially in the remainder of the year.

Net financing expenses

Financing costs in the first quarter are down 23.1% (€ 0.6m) compared to Q1 2019, positively impacted by the lower amount of debt held over the period and capitalised interest on Bentinck and Donauweg (no capitalised interest was charged in Q1 2019).

Post-closing events and contingencies

No material events have taken place post-closing.

REAL ESTATE PORTFOLIO

In the first quarter one asset, One20 in Amsterdam-Sloterdijk was acquired, for in total € 34.0m. Three assets with a combined value of € 16m, which at the end of 2019 were classified as assets ‘held for sale’, were sold and transferred in Q1. At the end of Q1 the exposure to Amsterdam comprises 52% of the total portfolio.

Portfolio breakdown - March 2020

	# Assets	Market Value €m	Value %
Offices	45	966	74%
HNK	14	262	20%
Other	4	80	6%
Total Investment properties	**63**	**1,308**	**100%**
Held for sale			
Total portfolio	**63**	**1,308**	**100%**

Two assets have been reclassified from the category Offices to Other in Q1. Solar Eclipse in Amsterdam-Sloterdijk is a former office that is now let to a community college for woodworking, furniture and interior design. The second asset is a former office at Koningin Wilhelminaplein in Amsterdam-West, which has been transformed into student housing accommodation.

Vacancy

The Q1 2020 EPRA vacancy rate is 7.4%, a 0.3pp rise during the quarter. This is almost entirely due to the recent office acquisition of One20 in Amsterdam, which has an EPRA vacancy of 31%. On a like-for-like basis the EPRA vacancy rate for the portfolio is stable, with a small improvement in Offices (-0.3pp) and a small increase in HNK (+0.7%), whilst for Other (retail) the occupancy is stable.

EPRA Vacancy

	Dec 19	LFL	Other	Mar 20
Offices	4.1%	-0.3%	0.7%	4.5%
HNK	14.5%	0.7%	0.0%	15.2%
Other	8.0%	0.0%	-0.4%	7.6%
Total portfolio	**7.1%**	**0.0%**	**0.3%**	**7.4%**

Rents

Gross rents are up by 6.6% and net rents are up 9.9% on a like-for-like basis. Net rents are driven largely by HNK (+23.5%) and Offices (+8.7%), with a negative contribution from the Other segment (-10.8%).

Gross rents are up due to a rise in occupancy, indexation and positive reversion in 2019. Net rents are up even more due to lower non recoverable service charges and lower maintenance and letting costs. Despite a 1.6% positive life-for-like growth of gross rents for the Other segment, on a net basis the like-for-like is 10.8% down primarily due to temporarily higher maintenance expenses at the Zuidplein Shopping Centre in Rotterdam.

Net rent growth like-for-like

	YTD 2020	YTD 2019	L-f-l (YTD)
Offices	9,890	9,100	8.7%
HNK	2,981	2,414	23.5%
Other	951	1,066	-10.8%
TOTAL	**13,822**	**12,580**	**9.9%**

Offices

The EPRA vacancy rate is up 0.4pp to 4.5% due to the addition of the One20 asset in Amsterdam with 31% vacancy in March. On a like-for-like basis the vacancy for the Offices portfolio fell by 0.3pp.

The 5 remaining offices classified as ‘Other NL’ comprise 4 assets in Hoofddorp and 1 asset in Delft. The asset in Delft is due a lease extension later this year. The four Hoofddorp assets are for now considered to be long term investments.

Key office metrics - breakdown by segment

	31 Mar 2020				
	Amsterdam	Other Target Cities	Other NL	TOTAL	31 Dec 2019
Number of properties	16	24	5	45	46
Market value (€m)	580	366	20	966	945
Market value asset (€m)	36	15	4	21	21
Market value (€ psm)	4,038	2,528	1,520	3,203	3,070
Ann. contract rent (€m)	31	22	2	55	54
Ann. contract rent (€ psm)	227	176	158	201	194
ERV (€m)	36	24	2	62	61
Reversionary potential	12.7%	0.9%	-4.2%	7.3%	7.9%
Lettable area (sqm k)	144	145	13	302	308
EPRA net initial yield	4.1%	4.6%	6.5%	4.4%	4.5%
Reversionary yield	6.2%	7.1%	9.9%	6.6%	6.7%
EPRA vacancy	2.4%	7.2%	8.2%	4.5%	4.1%
Wault (years)	4.1	4.8	3.3	4.4	4.5

HNK

At HNK the EPRA vacancy is up 0.7pp to 15.2%, due to some foreseen expiries. The tenant retention rate during the quarter was 63%. As a result of the coronavirus, during the quarter, in HNK as well as in all of our other multi-let offices, several hygienic measures were taken. HNK managers have been in close contact with tenants to inform them on the actions we were taking. All HNK locations have remained open and remain open to this day, with the reception desk staffed. However, all the F&B facilities were closed in line with guidance from government.

Given strong and persistent demand, at HNK Ede we have started to convert one vacant office floor into additional Managed Offices. At HNK Apeldoorn 1,395 sqm of offices have been let to one tenant, with a lease start date the 1st of July, which will reduce the vacancy for this asset from 38.1% to 28.3%.

We have also established a Customer Excellence team during Q1, which will review our offering across our wider portfolio and which will take the lead in all new service level initiatives.

Key HNK metrics - breakdown by segment

	31 Mar 2020				
	Amsterdam	Other Target Cities	Other NL	TOTAL	31 Dec 2019
Number of properties	3	6	5	14	14
Market value (€m)	94	134	34	262	262
Market value asset (€m)	31	22	7	19	19
Market value (€ psm)	3,448	2,097	956	2,063	2,062
Ann. contract rent (€m)	5	10	4	20	20
Ann. contract rent (€ psm)	223	198	150	192	190
ERV (€m)	7	12	5	23	23
Reversionary potential	13.0%	-4.5%	-6.2%	0.1%	1.1%
Lettable area (sqm k)	27	64	36	127	127
EPRA net initial yield	4.0%	4.6%	5.9%	4.5%	4.6%
Reversionary yield	7.1%	8.8%	13.8%	8.8%	8.8%
EPRA vacancy	8.0%	14.7%	26.6%	15.2%	14.5%
Wault (years)	2.4	3.4	3.4	3.1	3.1

Other

Two office assets were transferred to the segment Other in Q1, a community college and a student housing complex, both fully let and both located in Amsterdam. One retail asset in Almelo, which at the end of 2019 was classified as 'held for sale' was transferred to the buyer in January.

The two remaining retail assets, our stake in the Zuidplein centre in Rotterdam and 't Loon in Heerlen, had a reasonably good start to the year, up to early March, with several lease inquiries and a 100% retention. We are in advanced negotiations to lease up some of the vacant space in Heerlen to a supermarket. The centre also will benefit from the introduction of free parking in the city, which the municipality has recently introduced on a temporary basis as a result of the coronavirus pandemic.

BALANCE SHEET, NAV & FINANCING

Funding

Net debt increased by € 8.5m compared to December 2019. Investments in both new and existing assets in Q1 were slightly higher than disposal proceeds and operating cash-flow, pushing the overall debt slightly up.

As a result the LTV has increased fractionally to 27.6% at the end of March (Dec-19: 27.4%). The average cost of debt is stable at 2.0% (Dec-19: 2.1%) and the ICR is 7.2x.

In March NSI issued € 40m of 10-year notes to clients of Metlife Investment Management. The notes are Euro denominated and have a fixed coupon of 1.6%. This note is in line with the strategy to further diversify the maturity and investor profile, lengthen the average debt maturity and where possible lower the cost of debt. After closing the Metlife deal the average debt maturity is extended to 5.6 years per the end of March.

The liquidity position improved in comparison to the end of 2019, with circa € 280m of cash and committed undrawn credit lines available. NSI has no major loan maturities until 2023. A small € 25m secured loan is due in July 2020, which will be repaid by drawing on the existing RCF.

NSI aims to maintain a conservative financing structure. All loans have an LTV covenant of 60% and an ICR covenant of 2.0x. There are no major capital commitments or major near term debt maturities. Hence, at this time NSI can absorb a theoretical 50% fall in asset values and a theoretical two-thirds reduction in net rent before any covenants are at risk of being breached.

NSI is using swaps to hedge its interest rate risk on variable rate loans. All our USPP loans have a fixed rate coupon. The volume hedge is 100% and the maturity hedge is 98% per March 2020.

Net debt – Mar 2020 (€m)

	Mar-20	Dec-19	Change
Debt outstanding	382.5	342.8	39.7
Amortisation costs	-1.3	-1.3	0.0
Book value debt	**381.2**	**341.5**	**39.7**
Debt to credit institutions	0.0	12.6	-12.6
Cash	-20.1	-1.4	-18.6
Net debt	**361.2**	**352.6**	**8.5**

Covenants

	Covenant	Dec 16	Dec 17	Dec 18	Dec 19	Mar 20
LTV	≤60%	44.1%	36.9%	36.9%	27.4%	27.6%
ICR	≥ 2.0x	3.8x	4.7x	5.5x	6.8x	7.2x

Maturity profile