

## Highlights

### Strategie

- NSI further increased its portfolio focus on the Dutch office market in the 1st quarter of 2016:
  - Sale of almost entire industrial buildings portfolio (€48.1 million)
  - Sale of the remaining interest (15.2%) in the Belgian listed company Intervest Offices & Warehouses (IOW)
- Agreement with syndicate banks to release securities related to bank funding (€450 million) as per 1 September 2016
- Loan to value, after asset sales and dividend distribution, amounts to 38.5% at present
- Occupancy rate of total portfolio increases to 78.1% as per 31 March 2016 (31 March 2015: 77.6%, 31 December: 77.3%)

### Offices total

- The occupancy rate of the total office portfolio increases to 74.3% (31 March 2015: 71.4%, 31 December 2015 73.6%)

### HNK

- HNK continues to perform strongly
- The share of HNK in the total gross rental income from offices amounts to 18.6% in the 1<sup>st</sup> quarter of 2016
- Opening of 11<sup>th</sup> HNK in 1<sup>st</sup> quarter of 2016: HNK Dordrecht, and 3 other properties are currently being transformed to HNK
- The effective rent level of new leases over the last 12 months remained stable at €166 per sqm

### Offices (excluding HNK)

- Occupancy rate of Dutch office portfolio amounts to 79.7% as per 31 March 2016
- The 12 months rolling effective rent level of new leases remained stable at €106 per sqm
- Positive net take up in sqm in 1<sup>st</sup> quarter of 2016, also due to high retention rate

### Retail

- The occupancy rate of the retail portfolio increased to 85.3% as per 31 March 2016 (31 December 2015: 84.4%)
- The 12 months rolling effective rent level of new leases amounted to € 199 per sqm (€ 215 per sqm as per 31 December 2015)

### Other (large scale retail)

- The occupancy rate of the large scale retail portfolio increased from to 93.3% as per 31 March 2016 (31 December 2015: 90.5%)

### Johan Buijs, CEO of NSI:

*“The rental income of the total Dutch office portfolio grew slightly compared with the previous quarter. Combined with the increased occupancy rate, this confirms that the focus on quality improvement and HNK are starting to pay off, especially since we expect this trend to continue. HNK continues to perform strongly within the office portfolio. The 11<sup>th</sup> HNK has been opened, and another 3 properties are in the process of transformation.”*

## Leasing activities

*)	Offices (excl HNK)		HNK		Offices total		Retail	
	Q1 2016	Q4 2015	Q1 2016	Q4 2015	Q1 2016	Q4 2015	Q1 2016	Q4 2015
Occupancy rate	79.7%	76.7%	57.0%	59.6%	74.3%	73.6%	85.3%	84.4%
Take up in sqm (leasing out of vacancy)	2,925	4,618	3,414	6,167	6,338	10,785	2,059	560
Take up/supply rate (over 12 months)	17.4%	18.5%	39%	45.2%	22.9%	24.8%	18.4%	14.7%
Organic net change in sqm	5,006		4,521		9,527		-374	
Effective rent level per sqm new lettings (12 months rolling)	€106	€107	€166	€165	€138	€135	€199	€215
Effective rent level per sqm total portfolio	€153	€157	€180	€188	€157	€161	€179	€178
Like-for-like growth gross rental income	-9.1%	-11.5%	12.8%	18.6%	-5.0%	-6.9%	-8.0%	4.3%

\*)The following reclassifications took place; the two remaining industrial buildings are being classified as offices. Furthermore, properties from the office portfolio (approx. 30,000 sqm) have been transferred to the HNK portfolio in anticipation of conversion.

### Offices (exclusive HNK)

The occupancy rate increased from 76.7% as per 31 December 2015 to 79.7% as per 31 March 2016 (31 March 2015: 74.4%). The occupancy was positively impacted by the reclassification of the 2 remaining industrial buildings under offices and the transfer of properties to the HNK portfolio. Excluding these effects, the occupancy rate shows a stable development compared with 31 December 2015.

NSI signed for 2,925 sqm new leases (take up) in the 1<sup>st</sup> quarter of 2016, resulting in a take up/supply ratio of 9.7% in the 1<sup>st</sup> quarter of 2016, and 17.4 % over the pas 12 months (market average in 2015: 14.7%). Due to the combination of limited expirations and a high retention rate, the leased area in sqm increased organically.

The 12 months rolling effective rent level of new leases in the offices portfolio remained stable at € 106 per sqm. The effective rent for the overall office portfolio (excluding HNK) amounted to € 153 per sqm as per 31 March 2016 (31 December 2015: €157 per sqm).

The gross rental income increased to €11.6 million in the 1<sup>st</sup> quarter of 2016, compared with €10.6 million in the 1<sup>st</sup> quarter of 2015 (4th quarter 2015: €12.1 million), mainly as a result of asset rotation. The like for like development<sup>1</sup> (-9.1%) is almost entirely due to expired contracts in the past 12 months.

The average lease duration of the portfolio (WAULT) remained stable at 5.1 year as per 31 March 2016. In 2016, 7% of the contracts in the office portfolio may expire.

### HNK

All product categories in HNK (memberships, managed offices, tailored offices and meeting rooms) have shown a positive trend in the 1st quarter of 2016. The gross rental income from HNK as % of the total gross rental income from offices rose from 14.7% in the 4<sup>th</sup> quarter of 2015 to 18.6% in the 1<sup>st</sup> quarter of 2016. The like-for-like growth of 12.8% was largely driven by new leases.

The take up of 3,414 sqm (out of vacancy) resulted in a take up/supply ratio of 20% in the 1<sup>st</sup> quarter of 2016, and 39 % over the past 12 months (market average 2015: 14.7%).

As previously indicated, the occupancy rate does not reflect an underlying trend, as the occupancy rate in HNK is continuously being impacted by new HNKs being added to the HNK portfolio, which usually have a low occupancy rate at the start. In the 1<sup>st</sup> quarter of 2016, 4 properties (circa 30.000 sqm) have been added tot he HNK portfolio, for the purpose of HNK Dordrecht (Burg. De Raadsingel), HNK Amsterdam Arena (Burg. Stramanweg) and HNK Rotterdam Westblaak

<sup>1</sup> Like-for-like is defined as gross rental income in the 1st quarter of 2016 compared with the 1st quarter of 2015 on the basis of the same (organic) portfolio, so excluding the impact of acquisitions and disposals

(Westblaak). As a consequence, the occupancy rate decreased from 59.6% as per 31 December 2015 to 57.0% as per 31 March 2016 (31 March 2015: 57.5%). Corrected for this effect, the average occupancy rate in the other HNK's increased to 62.7%.

The 12 months rolling effective rent level of new leases in the HNK portfolio remained stable at € 166 per sqm over the last 12 months. The effective rent for the overall HNK portfolio amounted to € 180 per sqm as per 31 March 2016 (31 December 2015: € 188 per sqm).

The roll out to 20 HNKs as per yearend 2016 is progressing according to plan. The roll out will be partially achieved by transformation of assets in the office portfolio, and partially through acquisitions of properties.

The 11th HNK was opened in the 1st quarter of 2016; HNK Dordrecht. HNK Rotterdam Westblaak (2<sup>nd</sup> HNK in Rotterdam) and HNK Amsterdam Arena (2<sup>nd</sup> HNK in Amsterdam) are currently being transformed.

NSI invested €2.3 million in HNK in the 1st quarter of 2016.

HNK won the Dutch Business Success award in the category "Best Dutch landlord" in the 1<sup>st</sup> quarter of 2016.

#### *Retail*

Despite the improving economy, the dynamics in the retail market continue to be challenging due to changing consumer behavior. NSI is responding to these changes with the Easy Shopping concept. This concept involves a combination of active retail center management and an active online strategy. As a result, the reach within the catchment area and the (local) engagement increases. The concept was launched in 2015 shopping center Zevenkamp in Rotterdam and recently started in shopping center 't Plateau in Spijkenisse.

The occupancy rate of the retail portfolio increased from 84.4% as per 31 December 2015 to 85.3% as per 31 March 2016 (31 March 2015: 88.2%).

The effective rent level of new leases amounted to €199 per sqm over the last 12 months. The effective rent for the overall retail portfolio amounted to € 179 per sqm as per 31 March 2016 (31 December 2015: € 178 per sqm).

The average lease duration of the portfolio (WAULT) slightly decreased to 4.4 year as per 31 March 2016 (31 December 2015: 4.6%). In 2016, 5% of the contracts in the retail portfolio may expire.

#### *Other*

The occupancy rate of the large scale retail portfolio increased from 90.5% as per 31 December 2015 to 93.3% as per 31 March 2016 (31 March 2015: 91.6%) due to several new leases.

### Gross rental income Netherlands per segment Q1 2015 t/m Q1 2016

x € 1,000	Q1 2015	Acquisitions	Divestments	Like-for-like	Transformation HNK	Q1 2016
Offices	10,664	3,088	-666	-918	-616	11,552
HNK	1,718	-	-	299	616	2,633
Retail	7,060	-	-90	-568	-	6,402
Large Scale Retail	1,646	-	-	-236	-	1,410
Industrial	1,497	-	-86	1	-	1,412
<b>Total</b>	<b>22,585</b>	<b>3,088</b>	<b>-842</b>	<b>-1,422</b>	<b>-</b>	<b>23,409</b>

The negative organic growth in the office portfolio compared with the 1st quarter of 2015 (-€ 0.9 million, -9.1%) is the result of new leases (€0.3 million), renewals (-€0.2 million) and terminated leases (-€1.0 million). This development shows the lagging effect of leasing activities over the past 12 months. The occupancy rate is an indicator reflecting future rental income. The organic development in the 1st quarter of 2016 compared with the 4th quarter of 2015 (-€ 0.2 million) reflects the improving trend. Including the effect of acquisitions and disposals, the gross rental income of the office portfolio showed a positive trend.

All individual HNK properties showed a positive like for like growth, except for HNK Rotterdam due to the previously mentioned loss of a large (governmental) tenant in the 4th quarter of 2015. The loss of the 2 large tenants in the 4th quarter of 2015 (Imtech (3,695 sqm) in HNK The Hague and a governmental agency (3,855 sqm) in HNK Rotterdam) nearly compensated by new leases in the 1st quarter of 2016.

The negative organic growth in the 1st quarter of 2016 compared with the 1st quarter of 2015 and the 4th quarter of 2015 is largely explained by a one off settlement payment received in the 1st quarter of 2015 (€0.3 million) and the 4th quarter of 2015 (€0.3 million).

The total impact from one-off settlement payments in the total portfolio was €2.5 million for the full year 2015. The impact from bankruptcies in 2016, compared with 2015, is €0.8 million for the full year.

### Gross rental income Netherlands per segment Q4 2015 t/m Q1 2016

x € 1,000	Q1 2015	Acquisitions	Divestments	Like-for-like	Transformation HNK	Q1 2016
Offices	12,052	497	-211	-213	-573	11,552
HNK	2,077	-	-	-17	573	2,633
Retail	6,896	-	-21	-473	-	6,402
Large Scale Retail	1,381	-	-	29	-	1,410
Industrial	1,460	-	-48	-	-	1,412
<b>Totaal</b>	<b>23,866</b>	<b>497</b>	<b>-280</b>	<b>-674</b>	<b>-</b>	<b>23,409</b>

#### Finance

NSI has taken the next step in the further implementation of its financing strategy in the 1st quarter of 2016. As agreed under terms of the €550 million facility as concluded last year, securities related to the bank funding (€450 million) will be released as per 1 September 2016. As a consequence, only 30% of committed facilities will be secured by collateral. This step increases the possibilities to diversify funding sources.

The average cost of debt remained stable at 3.8% (31 December 2015: 3.7%). The interest cover ratio amounted to 2.9 as per 31 March 2016 (31 December 2015: 3.2). The loan to value was 40.1% as per 31 March 2016 (31 December 2015: 43.2%). It should be taken into account that the portfolio is not being appraised and that no dividend is distributed in the 1st quarter. At present, after the sale of the industrial portfolio and the distribution of the final dividend over 2015, the loan to value amounts to 38.5%.

The funding available under the committed facilities was € 103 million as per 31 March 2016 (31 December 2015: € 78 million).

*Developments in the portfolio (acquisitions and disposals)*

NSI sold almost its entire industrial buildings portfolio in the 1st quarter. Furthermore, an office property in Zoetermeer (Koraalrood) was sold in March, and an office property in Breda (De Lage Mosten) was sold in April. Furthermore, NSI reached agreement on the sale of plots of land in Belgium. The proceeds of the transactions will be used to pursue opportunities in the Dutch office market, in line with the strategy.

The industrial buildings portfolio, delivered on 1 April 2016, had an annual rental income of € 5.1 million. The office property in Zoetermeer, delivered on 6 January 2016, had an annual rental income of €0.3 million. The property in Breda, delivered mid April 2016, had an annual rental income of €0.6 million.

The plots of land in Belgium (18,905 sqm in total) are located at the Fabrieksstraat, the Luchthavenlaan and the Leuvensesteenweg in Vilvoorde. The transfer is expected to take place in the 2<sup>nd</sup> quarter of 2016.

The total gross proceeds of these transactions of €53.8 million.

Furthermore, NSI sold its remaining interest (15.2%, 2,476,241 shares) in IOW. The total proceeds amounted to €53.5 million and resulted in a positive result on sales of approx. €1.6 million (including the pro rata contribution of the 1<sup>st</sup> quarter 2016 result).

*Outlook*

Acquisitions and disposals do have a significant impact on 2016 in the comparison with 2015.

On 18 June 2015, NSI divested its interest in Belgian Intervest Offices & Warehouses ("IOW") from 50.2% to 15.2%, and sold the remaining interest in 2016. IOW was fully consolidated in the figures of NSI until 30 June 2015, and subsequently recognized as "result from associates" in the results of NSI. The impact of the sale of IOW in 2016 in the comparison with 2015 amounts to approx. €23.0 million in the gross rental income and approx. €8.5 million in the direct result. Furthermore, the sale of the industrial portfolio has an impact in 2016 in the comparison with 2015 of approx. €3.7 million in the gross rental income and approx. €2.5 million in the direct result.

The operating costs will be higher in the first half of 2016 due to the implementation of the IFRIC 21 directive. This involves that all costs related to municipality taxes (approx. €3 million) are accounted for in the 1<sup>st</sup> quarter instead of an equal distribution over the year.

As a consequence of the improvement NSI achieved in the quality of the office portfolio through asset rotation and the further rollout of HNK, NSI expects to improve the occupancy rate of its office portfolio.

The retail market remains challenging despite increased consumer spending. Due to the focus on local shopping centres, NSI expects a relatively stable development of the occupancy rate in its retail portfolio.

On balance, NSI expects to improve the overall occupancy rate of the total portfolio and that gross rental income of the Dutch portfolio (excluding the sold industrial portfolio) will show a slightly improving trend. This includes the expectation that HNK will largely compensate for the negative like for like growth in the traditional office portfolio.

NSI will continue to work on improving the quality and performance of its portfolio in 2016. The focus is on growing organically of the Dutch office portfolio and the continued rollout of the HNK concept to 20 assets by the end of 2016.

**Financial Calendar 2016**

Publication half year results 2016	29 July 2016
Publication Trading update Q3 2016	4 November 2016

**Interim-dividend**

Setting interim-dividend 1 <sup>st</sup> half year 2016	29 July 2016
Listing Ex-dividend	2 August 2016
Record date	3 August 2016
Payment interim dividend 1 <sup>st</sup> half year 2016	9 August 2016

**About NSI**

NSI creates - with and for its customers - inspiring environments to meet, work and do business. NSI realises this by investing in offices and retail in attractive, high-quality locations in the Netherlands. NSI is a publicly listed real estate company, and manages invested assets of around €1.1 billion.

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Note for the editorial board:

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