

Highlights

- NSI increases its expectation for the direct result for 2014 from at least €46.3 million to at least €47.5 million.
- Occupancy rate total portfolio increased from 79.5% as per 30 June 2014 to 80.0% as per 30 September 2014.

Update asset rotation

- Q3: 2 office properties sold, agreement reached on sale of another office property and an industrial asset.
- Total disposals year to date in the Dutch portfolio: 4 offices, 2 industrial assets and 48 residential units.

Offices NL

- The occupancy rate of the Dutch office portfolio was stable (-0.2%) at 72.4% as per 30 September 2014
- Limited negative like-for-like growth of -1.3%, Q3 versus Q2 was -1.0%
- Outperformance of the market with strong take up in Q3 of 8,733 sqm, representing 4.8% of the take-up in the market while NSI's portfolio represents 1.2% of the market, total take-up of 19.023 sqm year to date
- Effective rent level for new leases stable at €126 per sqm in the first nine months of 2014

HNK

- The roll-out of the flexible full service concept HNK progresses according to plan:
 - ✓ HNK The Hague opened 5 November 2014
 - ✓ HNK Apeldoorn will be opened on 4 December 2014 and preparations started for HNKs in Ede and Den Bosch
- Gross rental income from HNK increased to €3.0 million in the first nine months of 2014.
 - ✓ HNK represents 7.2% of gross rental income of Dutch office portfolio (Q2 2014: 6.8%)
 - ✓ Organic growth of 13.4% in Q3 versus Q2 2014
- New HNK website launched to enhance marketing and direct bookings: www.hnk.nl

Retail NL¹

- The occupancy rate improved 1.1% from 87.7% as per 30 June 2014 to 88.8% as per 30 September 2014
- Redevelopment of Zuidterras (shopping centre Zuidplein in Rotterdam) completed
 - ✓ Primark and supermarket Dirk opened their stores and Q park started its operations on 13 November 2014
 - ✓ Zuidterras now virtually fully let; new contracts significantly increased the WALL and contribute €1.4 million to annual rental income
- Effective rent level new leases was €162 per sqm in the first nine months of 2014
- Q3 2014 versus Q2 2014 shows an organic growth of -1%, including large scale retail this was 1.7%

Belgium

- Intervest Offices & Warehouses announced the acquisition of a 77,000 sqm logistical site in line with its strategy to grow its logistic portfolio
- Occupancy rate of the Belgian portfolio remained stable at 84.8% as per 30 September 2014
- Intervest Offices & Warehouses renewed 5 leases and signed 2 new leases in the logistics segment in Q3 2014, representing 7% of the gross rental income of the logistics portfolio

Johan Buijs, CEO of NSI:

“Our active asset management strategy aims at adding value by increasing occupancy and rental income, ultimately adding value to the portfolio. In our Dutch office portfolio, NSI is successful with the full service and flexible office concept HNK. HNK shows quarterly double digit growth, in a market that overall still shows negative growth, at significant higher rent levels than the average in the Dutch office market. HNK has become a recognised brand; tenants and potential tenants actively ask for HNK as their preferred business location. Examples of those are the demand-driven planned HNK transformations in Ede and Den Bosch.

Also the redevelopment of shopping centre Zuidplein clearly demonstrates how our value-add strategy pays off. The interaction between our commercial and technical in-house teams resulted in a smart and efficient redevelopment plan, executed in only six months time, which led to an increase in occupancy from 70% to virtually fully let, with high quality new tenants which will uplift the profile and footfall of the shopping centre. Understanding the market, and being able to translate that into the right offering; that is how NSI will continue to drive its performance.”

¹ Excluding the large scale retail portfolio. NSI previously reported retail and large scale retail as one segment. Given the strategic focus, NSI will now report the retail segment separately.

Leasing activities

Offices NL

Leasing activity YTD						
Leases started (sqm)	Vacated (sqm)	Expired (sqm)	Renewed (sqm)	Retention rate	Financial Occupancy as per 30 Sept 2014	Take-up/ supply ratio ²
19,023	29,176	72,659	47,733	66%	72.4%	13%

The occupancy rate was stable at 72.4% (30 June 2014: 72.6%, 30 September 2013: 73.1%).

Traditionally the 3rd quarter is a slow quarter regarding take-up. However, NSI signed 8,733 sqm of new leases in the Dutch office portfolio in the 3rd quarter, bringing the total volume of new leases in the first nine months of 2014 to 19,905 sqm. This means a significantly higher take-up/supply ratio² of 17% compared with the market average of 10% in the 3rd quarter, and 13% in the first nine months of 2014 (market average 12%). Approx. 15% of the new leases in the 3rd quarter 2014 relate to HNKs.

The effective rent level of new leases amounted to €126 per sqm in the first nine months in 2014, and remains stable at €122 per sqm over the last 12 months. This reflects NSI's ability to mitigate the decline in rental levels, contradictory to the market, amongst others through propositions such as HNK. The efficiency for the tenant and the added value of this concept translates in above market average rent levels.

The effective rent level for the overall Dutch office portfolio amounted to €146 per sqm as per 30 September 2014 (30 June 2014: €148 per sqm).

In the remaining months of 2014, 7% of the office contracts can expire. The average lease duration of the portfolio amounted to 3.6 years as per 30 September 2014.

HNK

The roll-out of the flexible full service concept HNK progresses according to plan. NSI opened its 6th HNK property on 5 November 2014; HNK The Hague. This 15,000 sqm property is strategically located on the Amsterdam-The Hague-Rotterdam axis, directly at the highway and easily accessible by car and public transport. Prior to opening, NSI already pre-let 5 managed offices (fully equipped office space) proving the strength of the proposition at this location. HNK Apeldoorn (15,000 sqm) will be opened on 4 December 2014.

NSI has started the preparatory works for the transformation of the next HNK properties in Ede (approx. 10,000 sqm) and Den Bosch (approx. 7,500 sqm). Market demand prioritised these locations; NSI contracted already 2 tenants for a total of 4,000 sqm in these properties. These transformations are planned to be completed by mid 2015.

The occupancy rates in the HNK properties are 58.5% in HNK Rotterdam, 74.6% in HNK Hoofddorp, 68.8% in HNK Utrecht, 82.0% in HNK Amsterdam Houthavens, 63.6% in HNK Groningen and 36.3% in the recently opened HNK The Hague.

Gross rental income from HNK increased to €3.0 million in the first nine months of 2014, showing a double digit (13.4%) growth in Q3 compared to Q2 2014, and representing 7.2% of gross rental income of the Dutch office portfolio year to date.

In Q3 2014, NSI invested €2.6 million in HNK, totalling the cumulative investments in the HNK roll-out to €10.6 million (of which €4.0 million in 2014), out of the total 3 years investment plan (until 2016) of €31.0 million.

NSI launched a new website for HNK, improving the direct marketing & sales with tenants; www.HNK.nl.

² Take-up in the Dutch office market amounted to 182,000 sqm in the 3rd quarter 2014 (source: Dynamis); totalling the take-up in the first nine months to 668,000. The take-up supply ratio is recalculated on annualized basis

Retail NL³

Leasing activity YTD					
Leases started (sqm)	Vacated (sqm)	Expired (sqm)	Renewed (sqm)	Retention rate	Financial Occupancy as per 30 September 2014
12,253	11,273	51,050	39,628	78%	88.8%*

NSI completed the redevelopment of Zuiderterras, part of shopping centre Zuidplein in Rotterdam, ahead of planning. Tenants Primark (6,700 sqm), super market Dirk (1,500 sqm) and Q-Park (100 parking lots), together representing 80% of the Zuiderterras, opened for businesses on 13 November 2014. Alongside with fulfilling the requirements of Primark, NSI accomplished improvements in the parking area and the lay-out to increase the lettability. This redevelopment clearly paid off. Zuiderterras is now virtually fully let. The new tenants contribute €1.4 million to the gross rental income and the weighted average lease length of this property increased from 2.3 to 13.8 years. Moreover, both Primark and supermarket Dirk are important add-ons in the tenant mix to generate footfall. NSI managed the commercial and the redevelopment process fully in-house, proving the added value of NSI's operating model.

The occupancy of the retail portfolio increased from 87.7% as per 30 June 2014 to 88.8% as per 30 September 2014 (30 September 2013: 89.5%)

The effective rent level of new leases, taking incentives into account, remained stable at €162 per sqm in the first nine months of 2014. The effective rent level for the overall Dutch retail portfolio amounted to €181 per sqm as per 30 September 2014.

In the remaining months of 2014, 2% of the contracts can expire. The average lease duration of the portfolio was stable at 4.2 years as per 30 September 2014.

Belgium

The occupancy rate of the Belgian portfolio remained stable at 84.8% as per 30 September 2014.

Intervest Offices & Warehouses closed a number of important transactions in the logistic segment in the 3rd quarter of 2014. These transactions include 5 renewals of lease agreements for an area of 33,154 sqm and a rental volume of approx. €1.3 million on an annual basis, representing 7 % of the total annual rental income of the logistic real estate portfolio. One of these renewals is related to a long-term lease agreement with Sofidel in Duffel, whereby the tenant will completely integrate its production site into the storage hall of Intervest Offices & Warehouses (15,232 sqm). The agreement runs until 2026, with an interim expiration date in 2022. In the office portfolio 2 contracts were renewed.

The average lease duration of the Belgian office portfolio was 3.7 years and of the logistics portfolio 4.4 years as per 30 September 2014.

³ NSI previously reported retail and large scale retail as one segment. Given the strategic focus, NSI will now report the retail segment separately.

Gross rental income by segment Q3 2013 up to Q3 2014

x €1,000	Q3 2013	Purchases	Disposals	Organic	Q3 2014
the Netherlands					
Offices	42,477	-	-808	-549	41,121
Retail	24,808	-	-1,854	-2,761	20,193
Large scale retail	4,997	-	-	-927	4,069
Industrial	5,849	-	-374	-740	4,735
Residential	233	-	-113	-	120
Total	78,364	-	-3,149	-4,977	70,238
Switzerland					
Offices	303	-	-303	-	-
Retail	819	-	-819	-	-
Total	1,122	-	-1,122	-	-
Belgium					
Offices	18,589	-	-	-55	18,534
Industrial	11,329	-	-473	682	11,538
Total	29,918	-	-473	627	30,072
Total NSI	109,404	-	-4,745	-4,349	100,310

The organic (like-for-like) rental development of the retail portfolio was significantly impacted by redevelopments in shopping centres Zuidplein and 't Loon. As previously disclosed, this includes the impact of the strategic early termination of the contract with MediaMarkt Saturn, to be able to facilitate Primark (approx. -€0,6 million). The impact of shopping centre 't Loon in the organic growth was approx. -€1.2 million.

The negative organic growth in the large scale retail portfolio is largely due to the (earlier disclosed) temporary rent reduction related to a home furniture store tenant. The organic growth in the industrial portfolio reflects the expiration of a large contract. This asset will be sold.

Gross rental income by segment Q2 2014 up to Q3 2014

x €1,000	Q2 2014	Purchases	Disposals	Organic growth	Q3 2014
the Netherlands					
Offices	13,721	-	-34	-142	13,545
Retail	6,707	-	-	-70	6,637
Large-scale retail	1,177	-	-	193	1,370
Industrial	1,468	-	-	213	1,681
Residential	51	-	-51	-	-
Total	23,124	-	-85	194	23,233
Belgium					
Offices	6,159	-	-	82	6,241
Industrial	3,850	-	-	-17	3,833
Total	10,009	-	-	65	10,074
Total NSI	33,133	-	-85	258	33,307

The overall organic growth in the 3rd quarter versus the 2nd quarter in 2014 was slightly positive. The negative reversion in the retail segment shows a decelerating trend. The positive growth in large scale retail reflects the recovering housing market, benefiting the home furniture segment in particular.

Financing

The average costs of debt further improved this quarter to 4.6% from 5.3% at 30 September 2013 (30 June 2014: 4.7%). The interest coverage ratio remained stable at 2.6 as per 30 September 2014. The funding available to the company under the committed credit facilities amounted to €212 million.

In the 3rd quarter of 2014, Intervest Offices & Warehouses has pursued the optimisation of the expiration calendar of its credit lines and concluded with one of its existing banks a refinancing of €59 million which would expire in 2016. The new financing arrangement has currently terms until 2018, 2019 and 2020 and are concluded at market conditions with the same financial institution.

Developments in the portfolio (acquisitions and disposals)

Intervest Offices & Warehouses (IOW) announced the acquisition of a 77,000 sqm logistical site in Opglabbeek. The logistics portfolio of Intervest Offices & Warehouses represents now 45% of the portfolio of IOW, progressing to its strategic target of 50%. This acquisition will contribute €2.7 million to the annual rental income of IOW from 1 January 2015 onwards.

In line with NSI's policy, NSI appraises its Dutch portfolio twice a year externally (50% per 30 June and 50% per 31 December). Intervest Offices & Warehouses has the legal obligation to appraise its portfolio externally every quarter. The revaluation result of the Belgian portfolio has been - €2.0 million in the 3rd quarter.

In the 3rd quarter, the sale of 2 office assets (Kobaltweg in Utrecht, approx. 10,000 sqm and Luchthavenweg in Eindhoven, approx. 2,000 sqm) was completed. Furthermore, NSI reached agreement regarding the sale of an office property in Roosendaal (approx. 3,500 sqm) and an industrial property in Almere (approx. 10,000 sqm).

This totals the disposals in the Dutch portfolio year to date to 4 office properties, 2 industrial assets and the last remaining 48 residential units. In Belgium, a semi-industrial asset was sold.

EGM

NSI has convened an Extraordinary General Meeting of Shareholders (EGM) to be held on 11 December, in Hoofddorp. In this EGM, NSI proposes to its shareholders to amend its articles of association in relation to recent changes in the financial supervision legislation.

The agenda and the shareholders' circular are available on the website of NSI (www.nsi.nl), as well as the explanation how to register for the meeting.

Outlook

As stated earlier, NSI expects that lower financing costs will compensate the decrease in rental income in 2014. NSI increases its expectation for the direct result for 2014 from at least €46.3 million (the direct result 2013) to at least €47.5 million.

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