

INCOME, COSTS AND RESULT

Introduction

EPRA EPS for 2019 is € 2.64, of which € 1.24 in the first half and € 1.40 in second half of 2019. The EPRA EPS is stable compared to last year, despite the net disposals of assets in 2019 and the higher number of weighted average shares outstanding.

The EPRA NAV per share is up € 8.22 or 20.7% per share, primarily driven by a positive revaluation of the portfolio which accounts for € 7.79 per share. Additionally, the NAV is positively impacted by the result on disposals and retained earnings.

Rental income

Gross rental income is down 1.1% in 2019 compared to the prior year. Gross income is positively impacted by acquisitions (€ 6.2 million) and positive like-for-like rental growth (€ 4.7 million), but was negatively impacted by disposals (-€ 12.1 million). On a like-for-like basis gross rents are up 7.8% overall and up 9.5% for the assets in target cities.

The NRI margin, at 81.2%, has deteriorated by 1.5pp compared to last year, as a result of higher maintenance costs in 2019. Net rents are up by €2.6 million or 5.2% on a like-for-like basis, with the target cities up by 7.5%. These results are largely driven by the positive leasing momentum in the portfolio in both 2018 and 2019.

Service costs

Non recoverable service charges are up in 2019 versus 2018, both in absolute terms (€ 0.4 million) and on a like-for-like basis (€ 0.9 million). Asset rotation and lower vacancy had a positive effect on the non-recoverable service charge in 2019, with the negative effect largely due to a one-off service charge reconciliation in the second half of 2018.

Operating costs

Operating costs are 5.6% (€ 0.7 million) higher compared to 2018. This is primarily due to higher maintenance expenses (€ 1.4 million). These higher costs and slightly lower gross rental income explain the increase in the EPRA cost ratio in 2019 (+1.9pp).

Administrative costs

Administrative expenses are stable compared to 2018. Staff costs have slightly increased because of higher provisions for variable compensation for the management board. This is largely offset by a reduction in other administrative costs.

Net financing costs

Financing costs are down € 2.7 million (21.3%) compared to 2018. In 2018 financing costs were negatively impacted by a € 2.1 million one-off related to a debt refinancing. Furthermore, the average amount of debt outstanding was lower in 2019 compared to the previous year.

Indirect costs and results

In 2019 the portfolio is appraised to be 11.6% higher by the external valuers, resulting in a € 144.6 million positive revaluation. This positive trend is also confirmed by our disposals in 2019, which were done at a € 8.7 million or 7.3% premium to book value.

A fall in interest rate swap rates in 2019 has resulted in a € 5.1 million negative mark-to-market effect relating to NSI's interest rate swaps. The total indirect result for 2019 is € 146.9 million or € 7.83 per share.

Post-closing events and contingencies

In January our interest in retail asset 'De Hagenborgh' in Almelo was sold. Furthermore, in two separate transactions, office assets in Zoetermeer (1) and Amersfoort (1) were sold in January and February 2020.

Income segment split 2019 (€'000)

	Offices			HNK			Other Corporate	TOTAL		
	A'dam	Other Target Cities	Other NL	A'dam	Other Target Cities	Other NL		2019	2018	
Gross rental income	27,471	21,895	6,297	4,755	9,202	3,439	9,773	82,831	83,721	
Service costs not recharged	-447	-373	285	-131	-475	-311	-148	-1,601	-1,237	
Operating costs	-2,918	-3,939	-963	-819	-2,315	-779	-2,268	-14,003	-13,256	
Net rental income	24,105	17,583	5,619	3,804	6,411	2,348	7,357	67,227	69,228	
Administrative costs							-7,948	-7,948	-7,950	
Earnings before interest and taxes	24,105	17,583	5,619	3,804	6,411	2,348	7,357	-7,948	59,279	61,279
Net financing result							-9,840	-9,840	-12,506	
Direct investment result before tax	24,105	17,583	5,619	3,804	6,411	2,348	7,357	-17,788	49,439	48,773
Corporate income tax							-1	-1	-28	
Direct investment result / EPRA earnings	24,105	17,583	5,619	3,804	6,411	2,348	7,357	-17,789	49,439	48,745