# AMBITION & LOOK THROUGH 2025

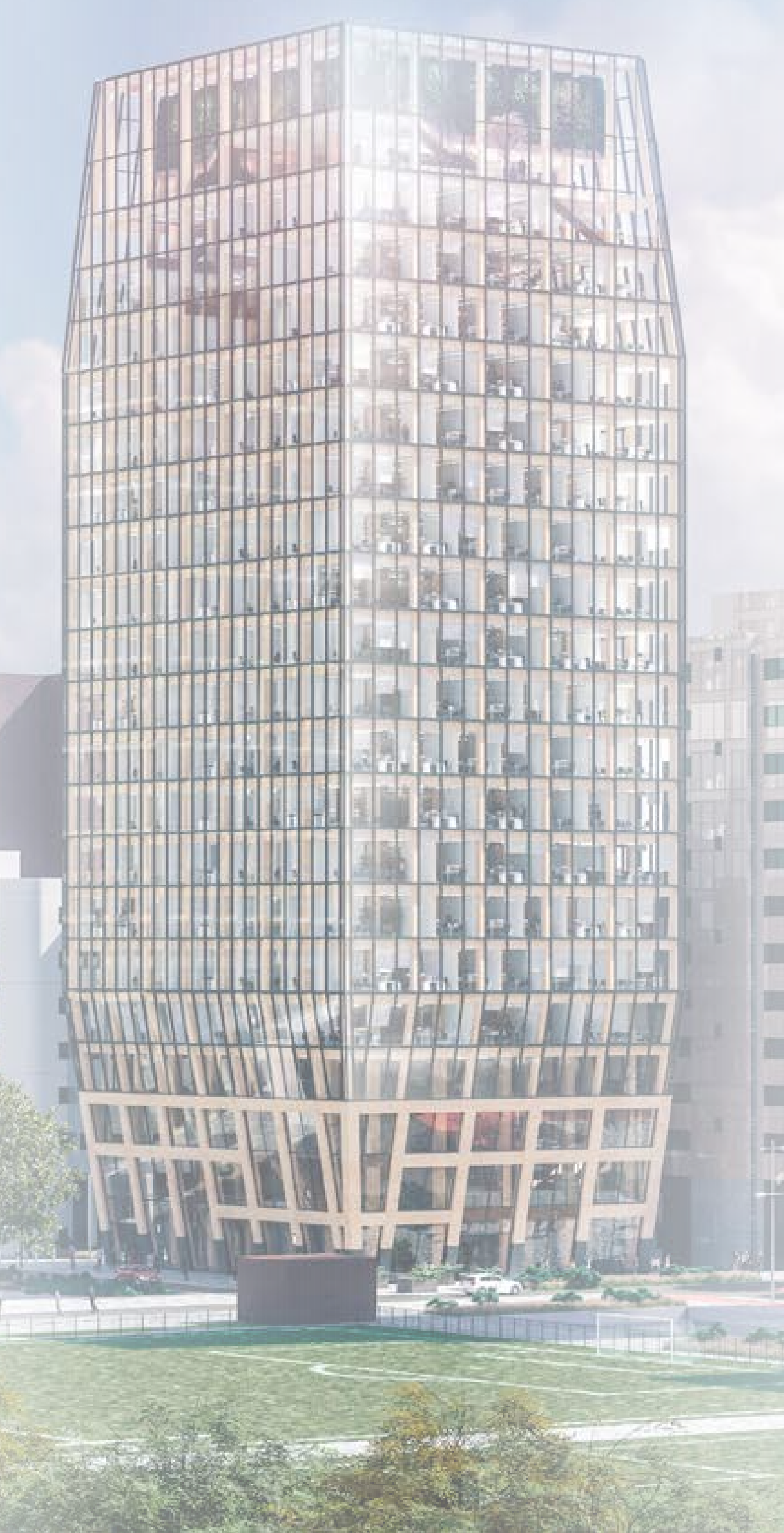
**A year ago we updated our strategy and purpose to put the customer at the centre of everything we do. We stated “We enable our customers to achieve maximum productivity and growth, providing best-in-class, flexible space solutions and an unparalleled level of services in modern, healthy, sustainable buildings in prime locations”.**

In 2020, boosted by a very strong balance sheet, we continued to invest in our buildings, our product offering and in the relationships with our customers, in line with our purpose. The immediate fruits of these efforts were a retention rate of circa 70% and a 0.7% fall in the vacancy rate on a like-for-like basis.

Notwithstanding these achievements, going into 2021, with coronavirus still significantly impacting business life, with WFH a new phenomenon for corporates to address and with a less certain economic outlook, we consider it appropriate to re-evaluate our strategy.

In essence the strategy is still valid. The role of real estate as an asset class is undisputed, in what is now arguably a ‘low forever’ interest rate environment. Meanwhile, the office remains a highly relevant concept for all sorts of businesses, irrespective of WFH, which still require a home base to showcase their brand and identity, to load their culture and to attract new talent. Also, the relationship with tenants has become more important still, as their requirements have likely changed and their negotiation position has improved ever since the onset of the coronavirus pandemic.

Basically, as always, it comes down to offering the right product in the right location to the right customer, and understanding how this combination of factors evolves. This is the basis for sustainable and growing valuations of the underlying real estate.



## Right location; right product

The right location is a well-connected vibrant economic growth location, where corporates want to be because that is where their wider network is located and where the potential talent pool is greatest. As such, we continue to focus predominantly on the major transport hubs in the G5 cities of Amsterdam, Utrecht, Eindhoven, Rotterdam and The Hague.

The right product is much harder to determine. At NSI it is definitely not our ambition to be everything to everyone, as this would be a recipe destined for failure. We do need to make sure our buildings are vibrant locations, with the right mix of spaces and amenities, offering a wide range of services, including flexibility, so that our customers can focus on their business and thrive, knowing that the real estate and its complexities are fully taken care off. This is how we define customer excellence. Space-as-a-service is in our view just one element of this, one where we provide a wide range of fit-out solutions and services, potentially working with established third parties to deliver these.

## Anticipating a change in office demand/use

Many corporates will use 2021 and 2022 to critically review how much space is required to run their business, in light of all the new insights being gained from the ongoing WFH experiment.

We reckon that once the coronavirus pandemic subsides (partial) WFH will prove to be a permanent feature, accepted by most corporates as a way to attract and retain talent and to generally improve the work/life balance of its employees.

The larger enterprises may increasingly embrace the broader concept of WFA (work from anywhere), especially the more mobile, knowledge-based, service-industry enterprises. This will be especially the case for businesses that have used the past year to innovate and improve the level of digitisation of the organisation, systems and processes.

On balance, over time we suspect large enterprises will probably end up using less space. Some of this will happen by way of consolidation into fewer buildings, which will accelerate the ongoing polarisation of office markets, with good buildings in prime locations resilient and older buildings/weaker locations bound to lose out.

We are not immune, but we believe we are well positioned thanks to the asset rotation in recent years, which has left us owning a much better portfolio of assets, and our ability to continuously connect with our tenants, by having an open dialogue. Our proactive stance also works in our favour as we continue to create/build the right partnerships, enabling us to adapt our services and/or offered space to provide tenants appropriate solutions for their day-to-day business.

## NSI 2016-2025

Office real estate is a capital-intensive asset class which is becoming more service-oriented and operationally leveraged. We are trying to be successful at both the capital-intensive asset side and the operational side. Successfully blending the two, up to now largely separate worlds, is really the ultimate goal.

Still, for now and for the foreseeable future, the prospective returns for NSI are almost entirely being generated by the capital intensive, asset, side of the business. This includes the effects of our asset management initiatives, asset rotation and development activities.

At the same time, we continue to invest in our HNK concept. We are in the process of significantly enhancing our AV offering, we are introducing a new catering concept in most of our HNKs, and we have brought in new on-site team members to improve our service level. In due course these initiatives could potentially be rolled out over a larger part of our portfolio.

An important driver of shareholder returns over the period to 2025 is the potential success of the development programme. For the Laanderpoort development we have signed a cooperation agreement with ING. At this stage we are uncommitted for the other two development projects This programme will impact all KPIs of the business.

Whilst we have made significant progress in improving the business in recent years, the transition is far from complete as we discuss above. In 2025 we expect the business to be in far better shape than when we embarked on the new strategy in 2016, offering better returns at a lower risk profile.

The 2025 estimates in the table below are fluid and are likely to change, as it assumes the disposal of all non-core assets, no further valuation changes and execution of the business plan for the standing portfolio and all three development projects.

| | 2016 | 2020 | 2025E |
|---|---|---|---|
| Number of assets (#) | 165 | 60 | 45 |
| Average value per asset (€million) | 7 | 21 | 30-35 |
| % of assets in offices | 66% | 94% | 100% |
| % of assets in Amsterdam | 23% | 53% | 65-70% |
| LTV | 44.1% | 29.2% | 34-36% |
| EPRA EPS(€) | 2.64 | 2.35 | 2.60-2.70 |

If we exclude the disposal of non-core assets from the above analysis the EPRA EPS for 2025 would end up in the range of € 2.90 – € 3.00, underpinned by a still comfortable LTV of circa 40%. As such, there is still capacity to invest beyond the current development pipeline.