

# REAL ESTATE PORTFOLIO

In 2020 NSI acquired one and sold six assets. NSI acquired the ONE20 building in Amsterdam, for €34.0 million, in the first quarter. Total disposal proceeds in 2020 were €30.7 million (excluding costs).

The disposals included three assets classified as held for sale at the start of the year (€ 16.5 million) which left the balance sheet in Q1, and two office assets in Rotterdam and HNK Groningen, which were sold for a total of € 13.9m in Q4. The Q4 disposals were at a 3.9% premium to the June 2020 valuation and 0.7% below December 2019 valuation.

Two assets were reclassified from the category Offices to Other at the start of the year. Solar Eclips in Amsterdam is let to a community college and an asset at Koningin Wilhelminaplein in Amsterdam was transformed years ago into student housing accommodation.

## Portfolio breakdown - 31 December 2020

	# Assets	Market value (€ m)	Market value (%)
Offices	43	931	74%
HNK	13	249	20%
Other	4	73	6%
<b>TOTAL</b>	<b>60</b>	<b>1,253</b>	<b>100%</b>

## Vacancy

The EPRA vacancy at the end of the year is 7.0%, a 0.1% decrease compared to last year. This is a strong result given the difficulties in the occupier market as a consequence of the Coronavirus pandemic, the completion of two large refurbishments and the acquisition of ONE20, which had circa 31% vacancy at the time of purchase.

On a like-for-like basis the EPRA vacancy rate is down by 0.7% over the 12 months period. This is entirely due to the quality of the team and the progress made in recent years upgrading the quality of the portfolio.

Three assets were not included in the like-for-like vacancy, as Bentinck Huis and Donauweg were transferred to standing investments only in Q4. The third asset is ONE20, which was acquired in H1 of this year.

## EPRA vacancy

	31 Dec. 2019	L-f-l	Other	31 Dec. 2020
Offices	4.1%	-1.0%	1.1%	4.2%
HNK	14.5%	0.2%	0.2%	14.9%
Other	8.0%	-0.8%	-0.4%	6.9%
<b>TOTAL</b>	<b>7.1%</b>	<b>-0.7%</b>	<b>0.6%</b>	<b>7.0%</b>

## Rents

Gross rents are up 3.5% on a like-for-like basis, compared to last year. Split by segment Offices are up 5.1%, HNK 0.3% and Other 0.7%. Net rents increased by 0.8% on a like-for-like basis, with Offices up by 4.7% and HNK and 'Other' down by -10.3% and -2.9% respectively.

In HNK this fall in net rents is entirely due to a rent holiday offered to all tenants on flexible contracts for the months of May and December and for part of August (circa € 0.9m) and higher property management costs in relation to our coronavirus initiatives (circa € 0.5m).

Adjusting for the coronavirus pandemic impact on revenues and costs, like-for-like net rents would be up by 5.1% for Offices, 0.6% for HNK and -1.9% for 'Other', and for the total portfolio 3.5%.

## Like-for-like growth net rental income (€ million)

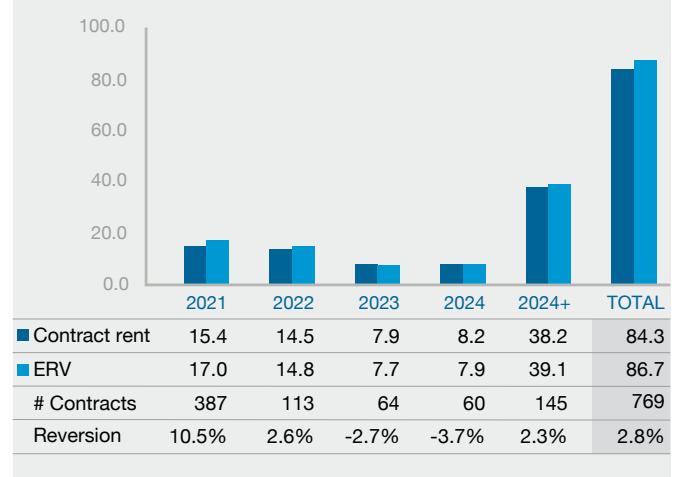
	2020	2019	L-f-l
Offices	41.7	39.9	4.7%
HNK	11.1	12.4	-10.3%
Other	4.8	4.9	-2.9%
<b>TOTAL</b>	<b>57.6</b>	<b>57.2</b>	<b>0.8%</b>

## Reversionary potential / ERV bridge

As per the end of 2020 the investment portfolio is estimated to be 2.8% reversionary, down from 5.4% at the start of the year. The fall is a result of a combination of inflation, reversion captured during the year and a decline in ERV of -0.6% on a like-for-like basis.

Lease contracts that are due for renewal in 2021 are on average 10.5% reversionary. This is skewed by Vitrum and Laanderpoort, both offering a high level of reversion, yet this will not be captured in 2021 given that both assets will in time transfer to the development pipeline. Adjusted for these assets the reversion for 2021 leases due is circa 5.5 %.

## Annual expirations and reversionary potential (in € million)



The reversionary potential for Offices is 4.8%, with ERVs slightly down -0.7% for the 12 months period to December. In HNK ERVs are set in line with traditional office ERVs and do not reflect the rent premium HNK achieves for offering flexibility and services. In the segment Other ERVs are down -4.1%, mostly reflecting our remaining retail exposure.

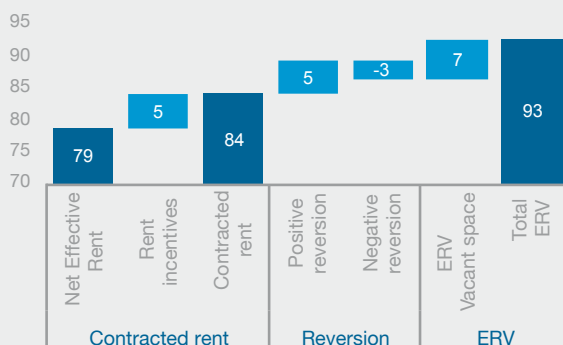
## Reversionary potential

	31 Dec. 2020	31 Dec. 2019
Offices	4.8%	7.9%
HNK	0.4%	1.1%
Other	-7.0%	-1.9%
<b>TOTAL</b>	<b>2.8%</b>	<b>5.4%</b>

## Like-for-like growth ERV (€ million)

	31 Dec. 2020	31 Dec. 2019	L-f-l
Offices	59	59	-0.7%
HNK	23	23	1.0%
Other	7	7	-4.1%
<b>TOTAL</b>	<b>89</b>	<b>89</b>	<b>-0.6%</b>

## Bridge Contracted rent to ERV - 31 December 2020



## EPRA yields

The EPRA net initial yield is 4.5%, basically flat year-on-year. Liquidity in the transaction market returned in H2, so that our external appraisers were comfortable not to invoke the material uncertainty clause as per year-end.

## Yields

	EPRA net initial yield		Gross initial yield		Reversionary yield	
	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019
Offices	4.4%	4.5%	6.2%	6.0%	6.8%	6.7%
HNK	4.3%	4.6%	7.8%	7.5%	9.2%	8.8%
Other	6.1%	5.8%	9.6%	8.8%	9.6%	9.4%
<b>TOTAL</b>	<b>4.5%</b>	<b>4.6%</b>	<b>6.7%</b>	<b>6.4%</b>	<b>7.5%</b>	<b>7.3%</b>

## Valuations

The full year revaluation of the portfolio is -4.5%, of which -4.1% in H1 and -0.4% in H2. The G5 assets have outperformed assets in provincial locations. Capital values for Offices in Amsterdam have been impacted by coronavirus-related uncertainties and in particular by an adjustment to the valuation of Vitrum, where the upcoming lease

expiry in H2 2021 in combination with more conservative assumptions for the upcoming redevelopment have impacted the valuation.

Valuations in the segment Other are down 8.5%, as a consequence of the wider retail industry malaise and an increase in defensive capex estimates. This decline is despite new lettings achieved in Heerlen.

## Revaluation (€ million)

	Market value	Revaluation			%
		Positive	Negative	TOTAL	
Offices	931	9	-49	-40	-4.0%
HNK	249	1	-14	-14	-5.2%
Other	73		-7	-7	-8.5%
<b>TOTAL</b>	<b>1,253</b>	<b>10</b>	<b>-70</b>	<b>-60</b>	<b>-4.5%</b>

## Capital expenditure

The coronavirus pandemic resulted in only minor delays to most of the planned work for 2020. The total offensive capex for the year amounted to € 14.6 million, of which € 5.3 million was spent on Bentinck Huis in The Hague and Donauweg in Amsterdam, and € 2.9 million was spent on the other three potential development projects. Defensive capex was € 3.4 million in 2020.

## Capital expenditure (€ million)

	Offensive	Defensive	TOTAL
Offices	11.7	2.5	14.2
HNK	2.6	0.6	3.2
Other	0.2	0.3	0.5
<b>TOTAL</b>	<b>14.6</b>	<b>3.4</b>	<b>18.0</b>

## Development and renovations

Two re-developments completed in Q4 2020. The re-development of Bentinck Huis was completed and the building was fitted-out for the new tenant, as part of the lease incentives agreed, at a cost of circa € 1.8m. Bentinck Huis was let per 1 December 2020.

The renovation of Donauweg in Amsterdam was completed in Q4 2020 at a total cost of € 3.4 million.

Project	New area LFA (sqm k)	Increase area LFA (sqm k)	Expected start / completion	Current phase
<b>Renovation</b>				
Donauweg, Amsterdam	4.6	0.0	Q2 2020 / Q4 2020	Completed
Bentinck Huis, Den Haag	6.0	0.0	Q4 2019 / Q3 2020	Completed
Vitrum, Amsterdam	c. 13.4	c. 1.8	Q1 2022 / Q4 2023	Design
<b>Near term</b>				
Laanderpoort, Amsterdam	c. 39.0	c. 26.0	Q2 2022 - Q4 2024	Design
Vivaldi III, Amsterdam	c. 19.0	c. 19.0	Q1 2022 - Q2 2024	Design

## Offices

The 4.2% vacancy rate for Offices at year-end is up 0.1% compared to 31 December 2019. The positive effects of a high retention rate (80%) and strong leasing activity on the vacancy rate were more than offset by the transfer of Donauweg back to standing assets following the completion of renovation works in Q4. Donauweg is 100% vacant at year-end and has had a negative impact on the overall EPRA vacancy rate at year-end of circa 0.8%.

In 2020 new leases and lease extensions were agreed at around ERV on average. Lease incentives are up by on average 5-10% compared to the beginning of the year.

Bentinc Huis in The Hague was acquired vacant in 2018 and has been fully refurbished. In Q2 2020 a 10-year firm lease contract commencing on 1 December 2020 was signed with the Central Government Real Estate Agency for the entire building.

Archimedesweg 30 was acquired in 2019 in a sale-and-lease-back deal with a short lease and a 10.5% gross yield. As per 1 December 2020 the asset was fully let to Janssen Vaccines at a higher rent, affirming the continued strength of the Leiden Bioscience park.

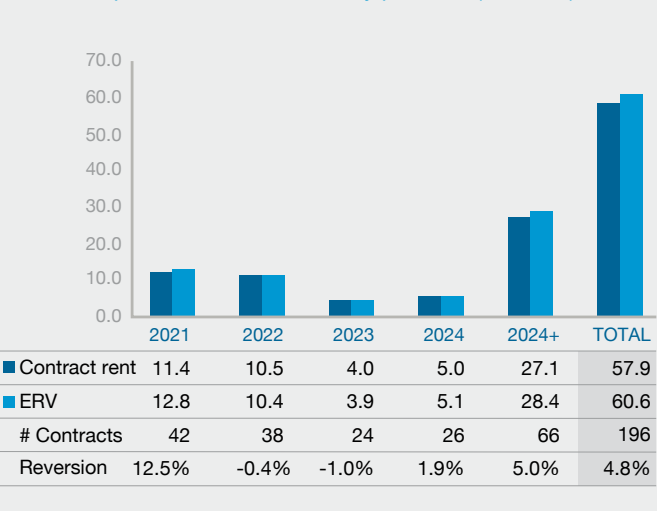
ONE20 in Amsterdam-Sloterdijk was acquired in March 2020 with an EPRA vacancy rate of 31%. Two new leases were subsequently agreed and from 1 December the building was fully let.

### Key office metrics - breakdown by segment

	31 Dec. 2020				31 Dec. 2019
	A'dam	Other Target Cities	Other NL	TOTAL	
Number of properties	16	22	5	43	46
Market value (€ m)	555	357	19	931	945
Market value asset (€ m)	35	16	4	22	21
Ann. contract rent (€ m)	32	24	2	58	54
Average rent / sqm	231	185	159	206	194
Reversionary potential	9.6%	-0.6%	-5.8%	4.8%	7.9%
Lettable area (sqm k)	144	139	13	296	308
Market rent (€ m)	36	25	2	63	61
EPRA vacancy	3.3%	5.7%	0.8%	4.2%	4.1%
EPRA net initial yield	4.5%	4.1%	7.9%	4.4%	4.5%
Reversionary yield	6.6%	7.0%	10.7%	6.8%	6.7%
Wault (yrs)	3.7	4.7	3.0	4.1	4.5

In 2021 lease contracts with an annual passing rent of €11.4 million are set to expire, includes €6.3 million for Vitrum and Laanderpoort.

### Annual expirations and reversionary potential (€ million)



## HNK

The EPRA vacancy rate for HNK is up by 0.4% to 14.9% at year-end. On a like-for-like basis the HNK vacancy rate HNK is up 0.2%, but this includes a 0.4% increase in vacancy due to intentional vacancy at HNK Amsterdam Southeast to start a major refurbishment in 2021. So, on a clean basis the like-for-like vacancy is marginally down. The retention rate of 44% for 2020 is below historical averages.

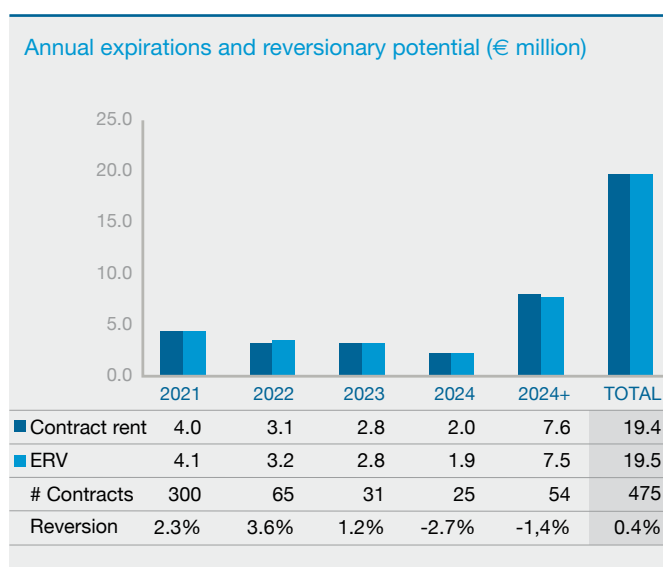
HNKs that were almost entirely let at the start of the year (Amsterdam Houthavens, Utrecht Central, Utrecht West) saw a fall in occupancy during the year, whilst HNKs with the highest vacancies (Rotterdam Scheepvaartkwartier, Apeldoorn, Dordrecht) saw major improvements in the vacancy rate during the year. HNK Groningen was sold in Q4.

The EPRA vacancy of Managed Offices at HNK is up to 16.7%, from 9.1% at the start of the year. All tenants on flexible contracts were given rent free for the month of May, half a month in August and a full month for December at a cost of € 0.9 million. Whilst this may have helped to keep the level of notices in line with normal churn, new take-up was down circa -30% by number of contracts and -43% by contracted rent in 2020. Leasing activity picked up in Q4 2020, with the vacancy rate improving by 2.0% during the quarter.

## Key HNK metrics - breakdown by segment

	31 Dec. 2020			TOTAL	31 Dec. 2019
	A'dam	Other Target Cities	Other NL		
Number of properties	3	6	4	13	14
Market value (€ m)	90	130	29	249	262
Market value asset (€ m)	30	22	7	19	19
Ann. contract rent (€ m)	5	11	4	19	20
Average rent / sqm	231	194	146	190	190
Reversionary potential	9.8%	-1.4%	-8.1%	0.4%	1.1%
Lettable area (sqm k)	27	64	33	124	127
Market rent (€ m)	7	12	4	23	23
EPRA vacancy	15.7%	12.6%	20.2%	14.9%	14.5%
EPRA net initial yield	3.8%	4.5%	5.0%	4.3%	4.6%
Reversionary yield	7.5%	9.3%	14.4%	9.2%	8.8%
Wault (yrs)	2.5	3.4	3.6	3.2	3.1

Leases with an annual contract rent of € 4.0 million are expiring in 2021, of which circa € 2.8 million in flexible contracts rolling over on a monthly basis.



## Other

The EPRA vacancy for the segment Other is down by 1.1% to 6.9% in 2020, including improvements for both remaining retail assets 't Loon (Heerlen) and Zuidplein (Rotterdam) of 3.1% and 0.6% respectively. On a like-for-like basis the occupancy rate improved by 0.8%.

Gross rents are up by 0.7% on a like-for-like basis, primarily due to occupancy improvements over the current and previous period. On a net basis rents are down by 2.9%. Given the small size of this segment numbers can fluctuate from one period to another depending on single expenditures falling in one period and not in the other.

## ESG

Health and well-being is a key part of our ESG strategy, and our ambition here has been decisive in our response to the coronavirus-pandemic. All our multi-tenant buildings remained open in 2020, whilst initiatives were implemented to safeguard the health and safety of all visitors. We completed these initiatives for all 43 multi-tenant offices and HNK buildings by early June and have reviewed these regularly since. These initiatives included additional cleaning, extra ventilation, an increase of air-circulation, better signing and screens.

The energy efficiency of the investment portfolio continues to improve. We are on schedule for the Government requirement of 100% of assets achieving a C-label or better per 2023, with 98% of assets already at the minimum required label.

Three assets still have an EPC label below C, including one asset with significant redevelopment potential and one other being a monument that does not formally require an EPC label. Yet, also for this monument we have plans to improve its EPC score.

The percentage of assets with an EPC score A increased to 73.5% of the portfolio by value by year-end 2020, up from 61.3% the prior year.

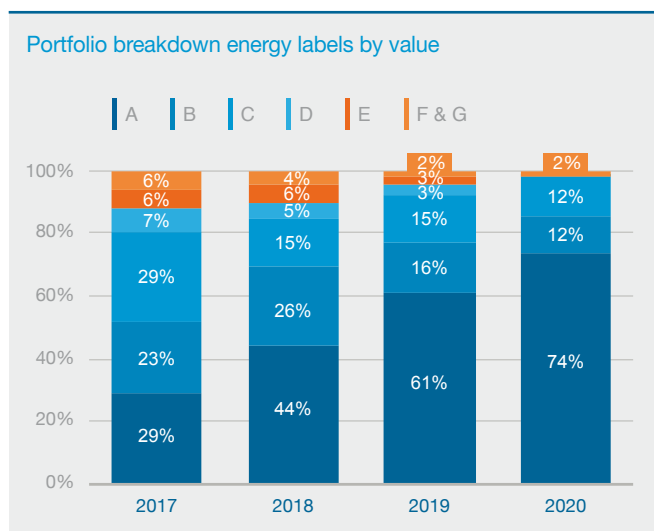
As per 2020 all our assets have a BREEAM in-use score. The ambition is that by 2025 all assets have a BREEAM very good score.

A more detailed description of our ESG policy and progress can be found on page 53. The EPRA Sustainability Performance Indicators are reported on page 133.

## GRESB Survey

NSI obtained a five-star GRESB rating in the 2020 survey, the highest rating available. GRESB is a leading, independent organisation offering a global assessment of environmental, social and governance (ESG) performance factors for the real estate and infrastructure industry. The recently published GRESB benchmark relates to 2019 and consists of data gathered from 1,229 real estate portfolios globally, responsible for over 96,000 buildings.

NSI has participated in the GRESB survey since 2018. The 2020 score of 88 points (out of 100) is a significant improvement on the 2019 score of 71 points and an initial score of 49 points in 2018. The improvement highlights the substantial commitment NSI has made to ESG over the past few years.



## HNK EDE

**HNK Ede consists of two buildings located nearby the University of Wageningen and side by side on the edge of a forest. Various developments came together this past year, resulting in a further evolution of the HNK concept, by embracing the activity-based working philosophy and providing next-level facilities.**

A significant conventionally let part of a wing at HNK Ede became vacant. NSI Asset Manager Robin Senne realised that not many parties were actively looking for so much space in this region whilst the flexible Managed Offices at HNK Ede were in high demand. “With HNK Ede we are the only provider of flexible space in the region, so there was a clear opportunity for us here.”

At the same time NSI had been engaging with its customers, exploring their needs. One of the aspects that had become clear was how important it is for office space to provide variation while suiting the different types of activities that need to take place. “Activity-based working calls for different office spaces with facilities that are suited to the job to be done.”

Adapting to the market demand for flexible office space, NSI decided to set up another type of office spaces in the vacant wing. “HNK tenants have always had the opportunity to venture out to the club area or a meeting room, but now we had the chance to set up the general spaces much more specifically to meet the need for different working environments.”

“That’s why we focused on activity-based working as our starting point,” Robin said. So now HNK Ede provides quiet spaces for focused work, insulated spaces for confidential telephone calls and informal sitting areas to catch up with others. And there are fully furnished co-working spaces with large monitors to connect your laptop. “We even have a scrum area and a game area. Tenants can use all of these facilities as much as they like and the general space is really an extension of their own office. It also makes it much easier for tenants to meet and connect with other users.”

NSI also used the expansion of HNK Ede to further develop the HNK concept. “We have introduced several new services,” said Sanne te Ronde, HNK Manager. “We want to upgrade our meetings rooms in every HNK with high-tech audio and video connections because meetings will increasingly become



a hybrid between people who are physically present and others who call in. This will be rolled out further in 2021. At the same time HNK Ede specifically provides the option to lease furniture and plants.” NSI’s ‘furniture as a service’ and ‘green as a service’ concepts give tenants more options to set up their office as they see fit, without the need to make large investments. “It’s more sustainable and more flexible.”

Sanne and Robin are seeing a healthy interest in the expansion of managed offices in HNK Ede. “70% of the added managed offices have already been let despite all the headwinds from the 2020 lockdowns,” Sanne said. “As a result of Covid-19 demand for a clean and green working environment appears to be even greater than it was. The location of HNK Ede, nestled at the edge of a forest, is now seen as an even greater benefit by tenants and prospective tenants.”



## ONE20: LEASING SUCCESS DESPITE HEADWINDS

In March 2020, NSI acquired ONE20, a nearly 10,000 sqm office building located in Amsterdam-Sloterdijk, fitting the strategy of acquiring interesting value-add investment opportunities in strong office (sub)markets.

NSI strongly believes in the development of Sloterdijk into a multifunctional area. The area is rapidly changing from a monofunctional business district into a diverse neighbourhood, strategically located with excellent transportation links, including Amsterdam's second busiest train station and Schiphol Airport nearby. The property is part of a cluster after NSI acquired Glass House in 2016 and Q-Port and Motion Building in 2018. ONE20 is located next to both the Glass House and Q-port buildings, further cementing our position in this strong sub-market of Amsterdam, which now accounts for 25% of the office portfolio.

ONE20 had a vacancy rate of over 30% at acquisition. NSI immediately put its active leasing strategy at work. All the vacant areas were renovated and a ground floor reception and coffee bar were introduced. At year end, the building is fully let after NSI was able to secure two new leases for the vacant space and extended the contract of an existing tenant. The WAULT increased from 4.0 to 6.5 years, and the gross initial yield rose from 3.5% (at acquisition) to 5.4%



The building, constructed in 2001, offers 9,743 sqm office space and has an A-label energy score.

Peter Stutterheim, Asset Manager Amsterdam comments: 'At ONE20 NSI has shown its ability to proactively invest in its assets to guarantee the best quality and services for its tenants. This has resulted in a fully let asset nine months after acquisition, which is an excellent result during a period that has been dominated by the coronavirus and is testament to the strength of our portfolio, the Amsterdam Sloterdijk area and the team which has made this happen.'

