

STRATEGY

NSI set out a new strategy in early 2017. As the objectives of this strategy have been achieved, in terms of asset rotation, balance sheet, team and systems/processes, the focus is now on 1) strengthening its existing clusters in targeted cities, 2) developing healthy and sustainable offices of the future, and 3) driving

customer excellence by putting the customer front and centre in everything NSI does. At NSI we aim to 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.

OUR VALUE CREATION MODEL

The core of our value creation model, geared towards becoming the Dutch leading office specialist, is the combination of the right assets mixed with the right level of services. The right asset portfolio is achieved through optimisation, accretive investments and adding new developments, whilst the right level of services

is tailored to the target customer. All of this is underpinned by prudent balance sheet management and a clear and strong sustainability ambition. NSI strives to constantly improve the quality of its offering, whilst continuously improving its operational excellence, and so lower the cost of capital.



SOUGHT-AFTER PORTFOLIO

NSI focuses on larger office assets in economic growth locations based on the view that long-term rental and value growth can only be achieved in locations where economic activity itself is growing, creating natural demand for space. The global trend of urbanisation means the existing larger economic conurbation will continue to grow. We believe that the growth of cities will mostly take place around major transport hubs, as mobility is and will remain an issue in congested metropolitan areas. We therefore concentrate our investments, acquisitions and developments predominantly around the major train stations of these growth locations in The Netherlands.

The necessary size of assets, tenant activity and scale of the investment market to drive returns is concentrated mostly in the five largest cities in the Netherlands (Amsterdam, Utrecht, Eindhoven, Rotterdam and The Hague, generally referred to as G5) and selective other economically vibrant areas. NSI defines the G5 as its target market. We expect these hubs will continue to evolve into vibrant city districts where ‘work, education, healthcare, sleep, eat and play’ are being offered on an integrated basis. Where appropriate and where possible we will take an active role in contributing to this multi-functional vibrant future.

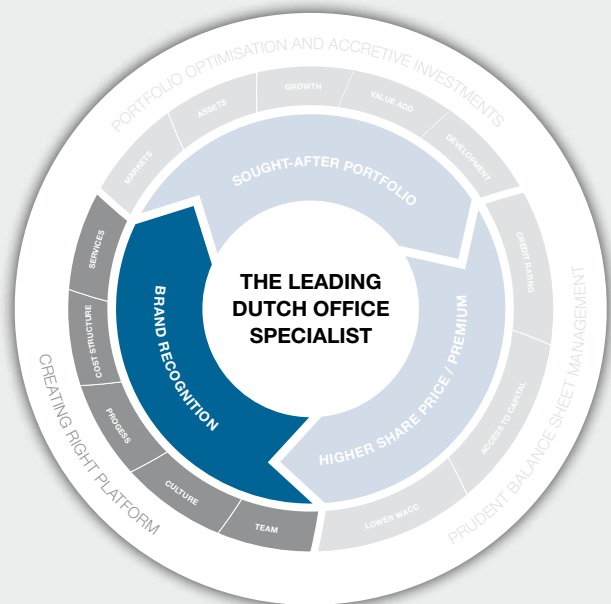
The substantial depth of the investment market in these locations has a genuine positive effect on the risk profile of the overall business as liquidity is often one of the most underestimated risks in property.



CREATING THE RIGHT PLATFORM

In its quest to be the leading Dutch office specialist NSI needs to have a solid, well-functioning operating platform. Only with the right team, culture and processes NSI will be able to deliver leading results in an optimal and cost-efficient way. The right team at NSI is a diverse team that embraces a culture of open debates, professionalism and the will to push boundaries.

At NSI we are constantly assessing if the organisation and associated costs are justified by the size and performance of the portfolio. Whilst NSI has a lean team, the aim is not to minimise costs, but to pursue the optimal cost structure befitting an active value-add manager and developer.



PRUDENT BALANCE SHEET MANAGEMENT

The NSI balance sheet should support the business, not the other way around. At NSI we have no view on the level of direction of interest rates and prefer to finance the business with long term debt, in line with the long duration nature of the assets. We believe the optimal capital structure is one that recognises (and adjusts to) the evolving nature of the asset portfolio and the size and risks embedded in the development programme.

Whilst equity capital is typically permanent, debt financing is not and so key for NSI is to have constant access to a diverse pool of debt funding sources by maintaining solid relationships with existing and potential debt providers and to stagger the maturities of its debt portfolio in order to avoid having a material concentration of debt due in any specific year.



EXECUTION OF OUR STRATEGY – PROGRESS IN 2020

PORTFOLIO OPTIMISATION



Disciplined capital recycling

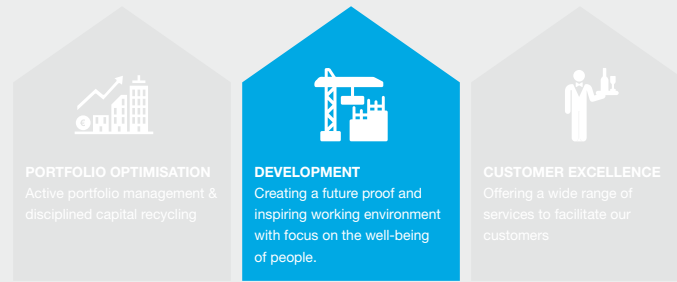
The year 2020 has been a relatively quiet year on the asset rotation front. NSI acquired only one office asset in 2020, the 9,700 sqm ONE20 office building in Amsterdam Sloterdijk. Moreover, HNK Groningen, a few smaller office assets and one retail asset were sold in 2020.

Asset rotation will continue to be an integral part of our business. We have approximately € 125 millions in non-core assets left, including our two remaining retail assets, which will be disposed over time, in order to re-invest the proceeds in new acquisitions in our target cities and/or in our development programme.

Active portfolio management

NSI continuously strives to identify and implement new value add initiatives in its portfolio. In 2020, the total offensive capex amounted to € 14.6 million. The largest completed project was Bentinck Huis in The Hague, a large-scale renovation project that perfectly showcases NSI's vision on future-proof buildings, meeting the highest sustainability standards. Another large-scale renovation involved the office property at Donauweg in Amsterdam, leading to a significant quality and sustainability upgrade of the space offered.

DEVELOPMENT



NSI pursues selective (re-)development opportunities to expand its asset portfolio with modern assets in the best locations, at better risk-adjusted returns relative to acquiring comparable assets in the open market. Development as such can enhance prospective returns and drive shareholder value creation, on a risk-adjusted basis, if managed well. NSI will carefully manage the balance sheet to allow for selective development and is keen on mitigating development risks by selecting the right location, securing pre-letting arrangements and working with reputable partners.

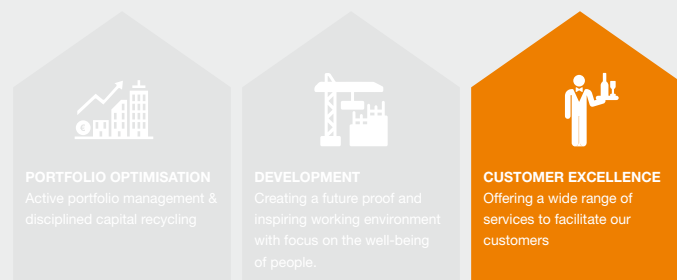
Our development projects enable us to shape our buildings and portfolio around the changing needs of our customers and provides new insights that can be used to improve the attractiveness of our standing assets. In our development vision we anticipate changes in demographics, the ways people work, shop and live, and the ever-growing importance of sustainability to ensure a future-proof design. Furthermore, we incorporate services and technology into our developments to create flexible and adaptable workspaces to maximise usability.

2020 was a very active year for the new development team and additional external capacity has been brought in to help steward all ongoing initiatives – all of which are located in Amsterdam. More detailed information on our projects in our development pipeline (Vivaldi III , Laanderpoort and Vitrum,) can be found on page 24.

Multiple development milestones were achieved in 2020, including the signing of the agreement ('Afsprakenbrief') with the municipality of Amsterdam on terms and conditions for construction of Vivaldi III, signing of the LOI with the municipality of Amsterdam for Laanderpoort and the selection of the architects and design teams for all three projects.

We have prepared the balance sheet for the development projects through a.g. a low LTV and by fixed rate debt that extends in duration beyond the expected delivery time table for our projects. This, in combination with having the right organisation and processes, prime locations, sensible pre-letting requirements and reputable partners will help mitigate many of the development risks.

CUSTOMER EXCELLENCE



In 2020 NSI created a Customer Excellence team to help improve the product offering and customer experience across the entirety of our asset portfolio.

In 2020 NSI embarked on a series of discussions and initiatives aimed at obtaining a deeper understanding of our customer needs, and translating these into a new customer journey, new concepts and new services to be provided. This has led to a number of new business concepts that are currently being piloted, the planned installation of a permanent 'office lab' to continuously test innovations and which can serve as a blueprint for the wider portfolio.

We recognise that customer behaviour and demands are structurally shifting, with flexibility, hospitality, services and amenities increasingly becoming key considerations for most of our tenants.

In line with the upgrade of our portfolio (due to the asset rotation of recent years) our tenant profile is changing, the focus of our tenants is shifting towards productivity and less on costs, by providing the right mix of quiet space, meeting space, project space and social space, so that businesses can thrive. These developments call for a genuine customer centred approach and a drive for customer excellence in all aspects of operations.