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## TRADING UPDATE

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# Q1 2022

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- CMD today to showcase NSI's new transition to an even stronger and better business
- Existing asset portfolio offers substantial internal potential for value-creation
- New leases signed in Q1 on average 13.8% ahead of ERV
- EPRA vacancy rate at 6.3% at Q1 2022
- LTV at 27.1% underpins all initiatives

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## FINANCIAL CALENDAR

Publication half year results H1 2022	14 July 2022
Publication trading update Q3 2022	13 October 2022
Publication preliminary results FY 2022	26 January 2023
Publication annual report 2022	10 March 2023
AGM	15 April 2022
Ex-dividend date (final dividend 2021)	20 April 2022
Record date	21 April 2022
Stock dividend election period	22 April - 5 May 2022
Payment date	10 May 2022

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# NSI HIGHLIGHTS

## KEY FINANCIAL METRICS

### REVENUES AND EARNINGS

	Q1 2022	Q1 2021	Change
Net rental income	12,773	13,224	-3.4%
Net rental income - like-for-like	12,004	10,916	10.0%
Direct investment result	8,600	9,018	-4.6%
Indirect investment result	1,004	-392	-356.2%
Total investment result	9,604	8,626	11.3%
Earnings per share	0.49	0.45	9.0%
EPRA earnings per share	0.44	0.47	-6.6%
EPRA cost ratio (excl. direct vacancy costs)	25.8%	28.3%	-2.5 pp

### BALANCE SHEET

	31 March 2022	31 December 2021	Change
Investment property	1,333,473	1,338,034	-0.3%
Net debt	-365,760	-382,073	-4.3%
Other assets / liabilities	-9,650	-7,504	28.6%
Equity	958,062	948,457	1.0%
IFRS equity per share	48.64	48.15	1.0%
EPRA NTA per share	48.67	48.23	0.9%
Net LTV	27.1%	28.2%	-1.1 pp
Number of ordinary shares outstanding	19,698,207	19,698,207	
Weighted average number of ordinary shares outstanding	19,698,207	19,499,825	1.0%

### KEY PORTFOLIO METRICS

	31 March 2022				31 December 2021	Change
	Amsterdam	Other G4	Other NL	TOTAL		
Number of properties	23	15	13	51	52	-1.9%
Market value (€ m)	795	356	198	1,349	1,355	-0.4%
Lettable area (sqm k)	178	124	85	387	409	-5.3%
Annual contracted rent (€ m)	37	23	14	75	76	-1.7%
ERV (€ m)	46	25	15	86	87	-1.5%
EPRA net initial yield	3.7%	4.5%	4.8%	4.1%	4.1%	0.0 pp
Reversionary yield	6.2%	7.2%	7.5%	6.7%	6.7%	-0.1 pp
EPRA vacancy	6.0%	7.7%	4.9%	6.3%	5.9%	0.4 pp
Wault	4.2	4.4	2.6	3.9	4.1	-3.2%

## CEO COMMENTS

In Q1 2022 the latest (and last?) Covid surge abated and by late March all Covid-related restrictions were lifted by Government. By then the focus had fully shifted to the situation in Ukraine and the very high level of inflation permeating all of Europe. The long term economic ramifications of all these events are as yet unclear and likely to remain so for some time to come.

### Strong like-for-like NRI growth

Notwithstanding the uncertain economic environment NSI has experienced a strong Q1. Operationally, in Q1 new leases were signed on average 13.8% ahead of ERV. The like-for-like increase in NRI in Q1 of 10.0% is helped by positive lease indexation, but the level is set to fall back in the coming quarters, as maintenance expenditure is set to pick up. The tenant retention rate during Q1 was high at 72.5%.

The vacancy rate is up by 0.4% in Q1 to 6.3%. There is no major individual driver of this change during the quarter.

In the investment market we continue to see good demand for the most prime assets, in spite of the now higher interest rate environment, with prime yields still hovering at just above 3%. The investment market is polarising as assets in secondary or tertiary locations, with relatively short lease lengths and poor sustainability credentials, are seeing capital values decline.

### High indexation

Dutch CPI reached a level of 9.7% in March and it is now widely expected that CPI will end up at close to 5 - 6% for the whole of 2022. Whilst we expect inflation in time to abate, we believe the outlook is for an economy that will have to adjust to operating at a persistently higher price level going forward.

We expect to benefit from higher indexation to be applied to our lease contracts in 2022, at on average 4.5 - 5.0%, but we do not expect market rents (ERVs) to move much. As such, the indexation is set to bring forward the capture of most of our remaining positive lease reversion (+ 7.8% in Q1 2022, excluding Laanderpoort circa + 5%).

### Development

We continue to make progress in all our development projects. At Well House the application for the building permit has been submitted post the quarter end and we are still well on track to start the project in September 2022.

On completion of Well House, foreseen in late 2025, the existing lease with Spaces for Vivaldi II will expire, as Spaces will move to Well House. Spaces has pre-let 20% of Well House and will in addition provide a variety of white-label services to NSI to operate the reception and meeting rooms in the building. We have already started to prepare initial plans to fully redevelop and modernise Vivaldi II.

In Q1 2022 we received Municipal approval for the preliminary design of Laanderpoort. At Vitrum we started the final design phase and the engineering process for the required relocation of some of the existing underground infrastructure.

In the capital markets day presentation this morning, which can be found on the website, we show the potential profitability of the development pipeline, including a clear sensitivity analysis. In addition, we present the identified medium and long term development potential in our portfolio. None of this is set in stone, but with a circa € 700m development cost (medium term) the size and potential is material to the overall business.

*Bernd Stahl*

# AMSTERDAM SLOTERDIJK: FROM MONO-FUNCTIONAL OFFICE DISTRICT TO ATTRACTIVE PLACE TO BE

The office district of Amsterdam Sloterdijk is gradually changed from a mono-functional working area into a unique neighbourhood. Sustainable office buildings are combined with unusual hotels and striking residential buildings, adding new life to Sloterdijk.

## History of Sloterdijk

As early as the thirteenth century, the Spaarndammerdijk was created to protect the rural area of Sloten from the still undrained IJ river. In the west, at the height of the Spaarne, the Spaarndam was built and in the east, at the height of the Amstel, the (Amster)dam. In between was the small river Slooter and that is where the Slooterdam appeared. Trade developed on the Slooterdam and a small harbour was built. In 1465, Filips de Goede granted the village the privilege of building a weigh house for local farmers. The village was named Slooterdyck and started to grow.



Haarlemmerweg and the Haarlemmervaart. Source: Stadsarchief Amsterdam.



Aerial photo before the office area in Sloterdijk was built, 1975.

Source: Stadsarchief Amsterdam.

The construction of the Haarlemmertrekvaart in 1631 brought new prosperity to the village. Industry grew around Sloterdijk and in 1839, the first train to operate in The Netherlands traveled from Sloterdijk to Haarlem. In the second half of the nineteenth century the North Sea Canal was constructed. The subsequent impoldering of the IJ transformed the surroundings of the centuries-old village of Sloterdijk into an agricultural area.

## The port of Amsterdam

The reconstruction of the Netherlands after the Second World War resulted in a call for more space for heavy industry. In the 1960s, the fields along the North Sea Canal therefore made way for the Western Port Area. Under the inspiring leadership of former port alderman Joop den Uyl, the IJ polder was transformed into a port area with large-scale storage and transshipment facilities for fossil fuels. The port of Amsterdam is still one of the largest petroleum ports in Europe today.





### The rise of a new office location

In the 1980s, expansion of the port area was followed by a completely different element: a new office area. The area surrounding Amsterdam Sloterdijk railway station was set up as a high-rise location especially for telematics companies and was named Teleport. At the time, telematics was seen as an important driver of the new economy. Even so, the rapid advancement of the internet meant that there was not enough space for all telematics companies to settle in Sloterdijk. Teleport was also an important location for government bodies, such as the UWV and the Tax Department.

### Gradual transformation

After the outbreak of the financial crisis in 2008, Teleport became one of Amsterdam's office areas with increasing vacancy rates. In 2012, the name Teleport was discarded and a new district strategy was established for what is now referred to as the whole of Sloterdijk. More opportunities were created for the transformation of outdated offices into hotels, catering establishments and homes. Sloterdijk has also been made considerably greener, among other things by redesigning the drab Orly Square into a bee-friendly garden park.

### Recreational opportunities

Sloterdijk offers more and more opportunities for encounters, both on a small and large scale. Trendy catering establishments have found a place in the area and numerous hotels have opened their doors. Combining both of these elements is The Ven, a former office building that has been converted into a business and entertainment complex. Tenants and residents can also enjoy a number of parks in Sloterdijk, including The Bretten en Nut en Genoegen. Additionally, Sloterdijk offers various sports facilities, such as a padel, football and hockey club.

### The first residents

The completion of Wasa Student Village in 2017 transformed Sloterdijk into an area where people could also live. At present, around 900 people live in Sloterdijk-Centre. The number of residents is expected to reach 15,000 in the next 20 years, with a diverse housing offer in the best tradition of the city: high end to affordable housing. There will also be extra attention for green space and biodiversity. For instance,



Redesigned Orlyplein. Source: Unknown.



Area surrounding Sloterdijk Station that will later turn into office area, 1986. Source: Stadsarchief Amsterdam.

Synchroon is developing Floating Gardens, which will be an energy-efficient and energy-generating building with specific spots for flora and fauna.

To reduce the shortage of affordable housing in Amsterdam, the municipality wants to speed up housing construction under the name of Haven-Stad. Before 2050, Amsterdam-West, which Sloterdijk is part of, should become a mixed city with 40,000 to 70,000 homes and more than 50,000 jobs. Haven-Stad will be highly urban, which equates to about a hundred houses per hectare. This is about twice as many as the Amsterdam average. Living and working will be mixed everywhere, where working will mainly take place on the lower floors and living on the upper floors. The idea is that each neighbourhood in Haven-Stad will have its own specific character.

## FUN FACTS

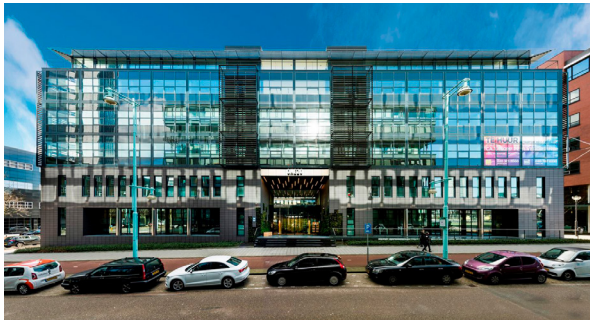
- Until 1921, the village of Sloterdijk belonged to the municipality of Sloten. This municipality included the villages of Sloten, Sloterdijk, Oud Osdorp and several neighbouring villages. On 1 January 1921, the municipality of Sloten was annexed by the municipality of Amsterdam.
- The last wild nature in Amsterdam can be found in nature reserve De Bretten. De Bretten is a green belt north of the Haarlemmertrekvaart canal and south of the Western Port area. The area is named after Huis te Bretten, one of the country houses that stood along the canal. Huis te Bretten was demolished for the construction of the railway line between Amsterdam and Haarlem.
- In 1860, much of the old town of Sloterdijk was destroyed by a large fire, but was rebuilt soon after. However, the construction of the new Sloterdijk railway station, the Coentunnel and a new business district once again almost meant the end of the village. The Petruskerk and a few houses were spared to preserve an important part of the town's history.



Donauweg (4,606 sqm), Donauweg 2B

### Complex redevelopment

The plans for Haven-Stad comprise a total of twelve subareas. In addition to Sloterdijk-Centre, these include the adjacent Sloterdijk I industrial estate. The realisation of housing in Sloterdijk I is not easy; the municipality has to deal with fragmented ownership and is dependent on the willingness of the owners in the area to take the path of transforming industrial and office space into housing. First steps are being taken: nine landowners and leaseholders in Sloterdijk I Zuid industrial estate have the intention of redeveloping their block on Transformatorweg. Together with the Municipality of Amsterdam, seven hundred homes, combined with businesses and facilities, will be built.



ONE20 (9,743 sqm), Teleportboulevard 120-142



Q-Port (12,709 sqm), Kingsfordweg 43-117



Solaris Eclips (4,257 sqm), Arlandaweg 94-98



Glass House (22,984 sqm), Teleportboulevard 121-133



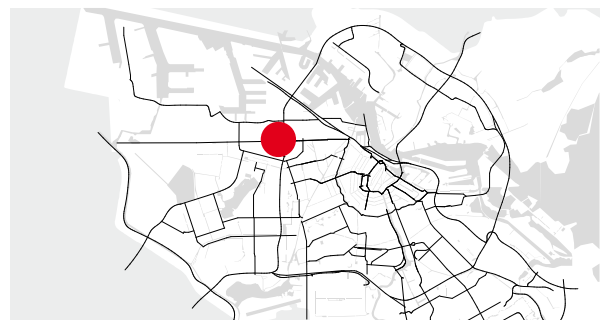
Motion Building (16,231 sqm), Radarweg 60

### NSI's cluster in Sloterdijk

Sustainable office buildings continue to be an important part of Sloterdijk. NSI is present in the area with a cluster of six modern, high-quality and sustainable office buildings (a total of 70,500 sqm): Solaris Eclips, Motion Building, Donauweg, Q-Port, ONE20 and Glass House. All six buildings have energy label A and a BREEAM Good label or higher. NSI's cluster in Sloterdijk has high potential. It is located in an area that is becoming increasingly attractive to tenants, residents and visitors. Additionally, the cluster is strategically located on a number of crucial transport routes. Important motorways, railways, waterways and Schiphol Airport are all located nearby. Plans have been made to invest substantially in the train station in the coming years, with a new metro connection being considered.

NSI strongly believes in the value of Sloterdijk. This is why NSI actively participates in UPtown Sloterdijk, a coalition established to promote and further develop the area. Together with eight other parties, NSI works on the transformation of Sloterdijk into a diverse neighbourhood that is ready to enter the future.

*We would like to thank Bert Pots for his major contribution to this document*



Map of Sloterdijk, municipality of Amsterdam.

# INCOME, COSTS AND RESULT

## Introduction

EPRA earnings in Q1 2022 amount to € 8.6m compared to € 9.0m in Q1 2021 (- 4.6%). The decrease in EPRA earnings is fully explained by lower net rental income, reflecting the disposals during last year and the re-development of Vitrum. EPRA EPS is € 0.44, 6.6% lower than last year.

EPRA NTA is up 0.9% or € 0.43 per share compared to the end of 2021.

## Rental income

Compared to the first quarter last year, gross rental income (GRI) decreased by € 2.0m (10.2%) to € 17.4m. This decrease can be explained by disposals in the past year (- € 2.6m) and the redevelopment of Vitrum as from July 2021 (- € 1.0m). The positive effect of acquisitions amounts to € 1.1m.

Non-recoverable service costs are € 0.1m lower than in the same period last year, whereas operating costs are € 1.4m (24.1%)

lower compared to Q1 2021. The lower operating costs are mainly the effect of lower maintenance costs (- € 0.7m) and lower municipal taxes (- € 0.4m).

Net rental income amounts to € 12.8m, down € 0.5m (- 3.4%) versus Q1 2021. The NRI margin is 73.5%, up 5.2 bps versus last year.

Gross rental income increased by 3.4% on a like-for-like basis, with NRI up 10.0% on a like-for-like basis. This NRI increase is visible in all segments: Amsterdam 4.6%, Other G4 (Den Haag, Rotterdam and Utrecht) 26.0%, and Other Netherlands 3.5%.

## Administrative costs

Admin expenses are € 0.1m higher compared to Q1 2021.

## Net financing costs

Financing costs are down by 6.8% (€ 0.2m) compared to the same period last year.

## Income segment split

	Q1 2022				TOTAL	Q1 2021
	Amsterdam	Other G4	Other Netherlands	Corporate		
Gross rental income	8,647	5,447	3,291		17,386	19,356
Service costs not recharged	-138	-107	1		-243	-374
Operating costs	-1,690	-1,692	-988		-4,370	-5,758
<b>Net rental income</b>	<b>6,819</b>	<b>3,649</b>	<b>2,305</b>		<b>12,773</b>	<b>13,224</b>
Administrative costs				-1,999	-1,999	-1,874
<b>Earnings before interest and taxes</b>	<b>6,819</b>	<b>3,649</b>	<b>2,305</b>	<b>-1,999</b>	<b>10,774</b>	<b>11,350</b>
Net financing result				-2,173	-2,173	-2,331
<b>Direct investment result before tax</b>	<b>6,819</b>	<b>3,649</b>	<b>2,305</b>	<b>-4,173</b>	<b>8,600</b>	<b>9,019</b>
Corporate income tax				-1	-1	-1
<b>Direct investment result / EPRA earnings</b>	<b>6,819</b>	<b>3,649</b>	<b>2,305</b>	<b>-4,173</b>	<b>8,600</b>	<b>9,018</b>



# REAL ESTATE PORTFOLIO

In January 2022, NSI concluded the sale of shopping center 't Loon in Heerlen. Following the sale of Heerlen, NSI has no remaining retail exposure and has fully completed the non-core disposal program initiated in 2017.

## Portfolio breakdown - 31 March 2022

	# Assets	Market value (€ m)	Market value (%)
Amsterdam	23	795	59%
Other G4	15	356	26%
Other Netherlands	13	198	15%
<b>TOTAL</b>	<b>51</b>	<b>1,349</b>	<b>100%</b>

## Vacancy

The EPRA vacancy as per end of March 2022 is 6.3%, up from 5.9% at the end of 2021. The sale of 't Loon in Heerlen had a positive impact on vacancy figures which was more than offset by increases in vacancy in HNK Amsterdam Houthavens, HNK Hoofddorp and Westblaak, Rotterdam.

The vacancy rate at quarter-end includes 0.6% strategic vacancy for Alexanderpoort, Rotterdam. Adjusted for this the vacancy rate as per end of March 2021 is 5.7%.

## EPRA vacancy

	Dec. 2021	L-f-I	Other	Mar. 2022
Amsterdam	5.8%	0.2%		6.0%
Other G4	6.8%	0.9%		7.7%
Other Netherlands	4.9%	1.9%	-1.9%	4.9%
<b>TOTAL</b>	<b>5.9%</b>	<b>0.7%</b>	<b>-0.3%</b>	<b>6.3%</b>

## Rents

On a like-for-like basis gross rents are up by 3.4% in the first quarter of 2021. Split by segment, Amsterdam is up by 2.5%, Other G4 is up by 6.1% and Other Netherlands is up by 1.2%.

Net rents increased by 10.0% on a like-for-like basis in Q1 2022, with Amsterdam up by 4.6%, Other G4 up 26.0%, and Other Netherlands up by 3.5%.

While optically a large improvement, these figures should not be extrapolated for the full year as the timing of maintenance expenditure is more concentrated on Q2-Q4.

## Like-for-like growth net rental income

	2022	2021	L-f-I
Amsterdam	6.3	6.0	4.6%
Other G4	3.6	2.9	26.0%
Other Netherlands	2.1	2.1	3.5%
<b>TOTAL</b>	<b>12.0</b>	<b>10.9</b>	<b>10.0%</b>

## Amsterdam

Vacancy increased from 5.8% as per end of 2021 to 6.0% as per 31 March 2022, which is the result of the termination of two contracts in HNK Amsterdam Houthavens. The space given back is currently undergoing renovations with new leases secured or in advanced negotiations for circa 80% of the space at on average 50% higher rents.

The renovation of HNK Amsterdam Zuidooost was finalised during Q1; therefore the vacancy here is no longer considered strategic.

During Q1 2022 leases were signed on average 8.7% ahead of ERV. The tenant retention rate during Q1 was strong at 78.1%.

## Key metrics Amsterdam

	Mar. 2022	Dec. 2021	Change
Number of properties	23	23	
Market value (€ m)	795	792	0.4%
Market value asset (€ m)	35	34	0.4%
Lettable area (sqm k)	178	177	0.4%
Ann. contract rent (€ m)	37	37	1.0%
Average rent / sqm	224	222	1.0%
ERV (€ m)	46	45	0.4%
EPRA vacancy	6.0%	5.8%	0.2 pp
EPRA net initial yield	3.7%	3.7%	0.0 pp
Gross initial yield	5.1%	5.0%	0.0 pp
Reversionary yield	6.2%	6.2%	0.0 pp
Wault	4.2	4.2	-1.7%

## Other G4

The EPRA vacancy rate for Other G4 is up to 7.7% as per 31 March 2022, mainly due to the increase in vacancy in Westblaak, Rotterdam. The vacancy includes 2.2% in strategic vacancy for Alexanderpoort, where several floors are intentionally held vacant as part of a major refurbishment and repositioning.

Leases signed in Q1 were 15.9% above ERV. The retention rate for Q1 2022 amounts to 65.1%.

### Key metrics Other G4

	Mar. 2022	Dec. 2021	Change
Number of properties	15	15	
Market value (€ m)	356	356	0.1%
Market value asset (€ m)	24	24	0.1%
Lettable area (sqm k)	124	124	0.0%
Ann. contract rent (€ m)	23	23	-0.5%
Average rent / sqm	205	203	0.5%
ERV (€ m)	25	25	0.6%
EPRA vacancy	7.7%	6.8%	0.9 pp
EPRA net initial yield	4.5%	4.4%	0.1 pp
Gross initial yield	6.5%	6.6%	0.0 pp
Reversionary yield	7.2%	7.2%	0.0 pp
Wault	4.4	4.4	0.1%

## Other Netherlands

The vacancy rate was stable in Q1 2022 at 4.9%, as the vacancy improvement due to the disposal of 't Loon was mostly offset by NSI's own HQ relocation away from HNK Hoofddorp.

The WAULT decreased to 2.6 years due to the sale of 't Loon.

### Key metrics Other Netherlands

	Mar. 2022	Dec. 2021	Change
Number of properties	13	14	-7.1%
Market value (€ m)	198	207	-4.3%
Market value asset (€ m)	15	15	3.1%
Lettable area (sqm k)	85	107	-20.7%
Ann. contract rent (€ m)	14	16	-9.9%
Average rent / sqm	176	161	9.4%
ERV (€ m)	15	16	-9.7%
EPRA vacancy	4.9%	4.9%	0.0 pp
EPRA net initial yield	4.8%	4.9%	-0.2 pp
Gross initial yield	7.2%	7.6%	-0.4 pp
Reversionary yield	7.5%	7.9%	-0.5 pp
Wault	2.6	3.2	-18.6%

# BALANCE SHEET, NTA AND FINANCING

## Funding

Net debt at the end of March 2022 is down € 16.3m compared to the end of December 2021. Primarily due to the disposal of the last retail asset in Heerlen at the end of January and due to retained earnings for the quarter.

At the end of March 2022 NSI has circa € 300m of cash and committed undrawn credit facilities at its disposal. Leaving ample room for selective acquisitions and capacity to fund the development pipeline.

With no major cash outflows or expiries in the near term and sufficient committed undrawn facilities at its disposal NSI is in a relatively favourable position given the current volatility in the funding environment.

## Net debt

	Mar. 2022	Dec. 2021	Change
Debt outstanding	371.2	391.4	-20.2
Amortisation costs	-1.5	-1.6	0.1
<b>Book value of debt</b>	<b>369.7</b>	<b>389.8</b>	<b>-20.1</b>
Cash and cash equivalents	-3.9	-7.7	-3.8
Debts to credit institutions	0.0	0.0	0.0
<b>Net debt</b>	<b>365.8</b>	<b>382.1</b>	<b>-16.3</b>

At the end of March 2022 the average loan maturity is 4.7 years (December 2021: 4.9 years), with no loans maturing until 2023. As per the end of March 82% of debt drawn is unsecured (90% of available debt). The average cost of debt remains stable at 2.2% (December 2021: 2.2%).

## Leverage and hedging

The LTV is 27.1% at the end of March 2022, 1.1 percentage point lower compared to December 2021 (28.2%), driven by the disposal of the retail asset in Heerlen and retained earnings.

The ICR stands at 5.6x compared to 6.8x at the end of December 2021. As municipal taxes are generally charged in the first quarter, the net operating margin and thus the ICR tends to increase during the year. The ICR remains firmly above the 2.0x covenant.

## Covenants

	Covenant	Dec. 18	Dec. 19	Dec. 20	Dec. 21	Mar. 22
LTV	≤ 60.0%	36.9%	27.4%	29.2%	28.2%	27.1%
ICR	≥ 2.0x	5.5x	6.8x	7.2x	6.8x	5.6x

NSI is using swaps to hedge interest rate risk on variable rate loans. Due to the lower utilisation of the RCF, the volume hedge ratio at the end of March 2022 increased to 99% (target range: 70-100%). The weighted average maturity of both the derivatives and the fixed rate debt is 4.7 years at the end of March 2022. The maturity hedge ratio is 100% (target range 70-120%).

## Maturity profile

