

Highlights

- NSI presented its portfolio strategy for the period 2014-2016 in its annual results presentation in February 2014, aimed at value creation and improving the quality of its portfolio through:
 - Asset focus (Value-add and Core)
 - Asset Rotation
 - Operational excellence
- Occupancy rate total portfolio was 78.5% as per 31 March 2014 (year-end 2013: 79.5%)

Offices NL

- Occupancy Dutch office portfolio was 71.7% as per 31 March 2014 (year-end 2013: 72.1%)
- Effective rent level new leases in Q1 2014 was €131 per sqm, above the 12 months average of €118 per sqm
- HNK continues to show healthy take-up levels and pipeline
 - Roll out of HNK: 4th and 5th HNK opened: HNK Amsterdam Houthavens opened in March and HNK Groningen on 15 May 2014
 - Refurbishment activities for HNK The Hague has commenced
 - Expansion of managed office floors (ca. 1,000 sqm) in HNK Rotterdam completed on 1 May 2014

Retail NL¹

- Occupancy rate retail portfolio was 83.9% as per 31 March 2014 (year- end 2013: 87.8%), temporarily impacted by approx.3% due to transition period to move in Primark in shopping centre Zuidplein
- Focus on balanced mix of national retailers and local entrepreneurs pays off; arrival of Big Bazar and Primark enhances the interest of other retailers

Belgium

- Occupancy rate of the Belgian portfolio was 84.5% as per 31 March 2014 (year-end 2013: 85.0%)
- Intervest Offices & Warehouses renewed leases with 3 of its top 10 tenants, in total representing 14% of the gross rental income
- A non-strategic semi industrial property in Meer was sold
- Intervest Offices & Warehouses successfully placed bonds for a total amount of €60 million.

Other (Large Scale Retail and Industrial NL)

- Occupancy rate large scale retail portfolio was 85.1% as per 31 March 2014 (year- end 2013: 84.7%)
- Occupancy rate of the Dutch industrial portfolio was 87.4% as per 31 March 2014 (year- end 2013: 84.9%)
- Contract with largest industrial tenant (25,000 sqm) Menlo Worldwide extended for 5 years

Johan Buijs, CEO of NSI:

"Although the recovery of the Dutch economy seems to continue, the start of 2014 does not yet reflect this through an increase in demand of office and retail space. Increased consumer confidence has not yet translated in increased consumer spending. In the office market we still see a continuation of business rationalization and office consolidation, leading to lower demand in the office market. The overall letting market therefore remains challenging in 2014. Focussing on the right product is crucial; the product that our customers want. In the office market we successfully anticipate the market trend with our HNK concept, as demonstrated by the high take-up levels. These developments once again emphasises our dedication to executing our strategy; focussing on operational excellence and executing our portfolio strategy to transform our portfolio in line with our strategic targets set for 2016."

¹ Excluding the large scale retail portfolio. NSI previously reported retail and large scale retail as one segment. Given the strategic focus, NSI will now report the retail segment separately.

Leasing activities

Offices NL

Leases started (sqm) in Q1 2014	Vacated (sqm) in Q1 2014	Expired (sqm) in Q1 2014	Renewed (sqm) in Q1 2014	Retention rate in Q1 2014	Financial Occupancy as per 31 March 2014	Take-up/ supply ratio ²
13,258	23,856	44,416	24,773	56%	71.7%	11%

The occupancy rate decreased to 71.7% compared with year-end 2013 (72.1%).

NSI signed 5,131 sqm of new leases (take-up) in the Dutch office portfolio. This means a take-up/supply ratio² of 11%, slightly below the market average of 13%.

The effective rent level of new leases amounted to €131 per sqm in Q1 2014 (€118 per sqm over the last 12 months). The effective rent level for the overall Dutch office portfolio amounted to €143 per sqm as per 31 March 2014 (31 December 2013: €144 per sqm).

The average lease duration of the portfolio increased from 3.6 years to 3.8 years as per 31 March 2014.

HNK

The full service and flexible office concept HNK continues to show healthy take up levels, especially in the 'managed office' proposition; fully equipped office space with flexible leasing terms in size and duration. HNK Rotterdam expanded the managed offices space with approx. 1,000 sqm to anticipate the growing demand for the proposition in this property. The occupancy rates in the HNK properties are 55% in HNK Rotterdam, 60% in HNK Hoofddorp and 53% in HNK Utrecht. HNK Amsterdam Houthavens opened in March 2014. As it was already a multi-tenant property, the occupancy rate started at 82%. HNK Groningen was opened on 15 May 2014 and the refurbishments activities for HNK The Hague has commenced.

In Q1 2014, NSI invested €0.6 million in HNK, totalling the cumulative investments in the HNK roll-out to €7.0 million, out of the total investment plan of €31.0 million.

Retail NL³

Leases started (sqm) in Q1 2014	Vacated (sqm) in Q1 2014	Expired (sqm) in Q1 2014	Renewed (sqm) in Q1 2014	Retention rate in Q1 2014	Financial Occupancy as per 31 March 2014
2,928	11,781	33,364	22,611	68%	83.9%*

*) occupancy rate impacted by approx. 3% during fitting out for Primark in Zuidplein

The occupancy of the retail portfolio decreased to 83.9% compared with 87.8% as per 31 December 2013. The occupancy rate has been impacted by a redevelopment in shopping centre Zuidplein. NSI invested in enhancing the profile by moving out tenant Media Markt Saturn prior to expiration date, to be able to accommodate Primark in a long-term lease. NSI has started the construction work to adapt the retail unit to the needs of Primark. The contract with Primark will take effect as soon as this has been completed, which means that this contract is not yet included in the occupancy rate. This has a temporary impact of approx. 3% on the occupancy rate.

The effective rent level for the retail portfolio amounted to €185 per sqm as per 31 March 2014 (31 December 2013: €183 per sqm). The average lease duration of the retail portfolio remained stable at 4.1 years as at 31 March 2014.

² Recalculated on annualized basis

³ NSI previously reported retail and large scale retail as one segment. Given the strategic focus, NSI will now report the retail segment separately.

Belgium

The overall occupancy rate of the Belgian portfolio slightly decreased to 84.5% (31 December 2013: 85.0%), mainly due to the disposal of a fully let semi-industrial property (approx. 7,500 sqm).

In the 1st quarter, Intervest Offices & Warehouses renewed leases with 3 of its ten largest tenants; the contract with Hewlett Packard Belgium (13,574 sqm in Mechelen Business Tower), representing 6% of the annual rental income, has been renewed until 2025 (break options in 2019 and 2022), the contract with Nike Europe (50,912 sqm in Herentals Logistics 2), representing 5% of the annual rental income, has been renewed until 2018 and 2019, and the first break option in the contract with CEVE Logistics Belgium (24,721 sqm in Boom Krekelenberg), representing 3% of the annual rental income, has been extended until 2016.

As a result of these renewed contracts, the average lease duration of the Belgian portfolio increased from 3.9 years to 4.3 years as per 31 March 2014.

Gross rental income by segment Q1 2013 up to Q1 2014

Gross rental income by segment in the Netherlands, Switzerland and Belgium

x €1,000	Q1 2013	Purchases	Disposals	Organic	Q1 2014
the Netherlands					
Offices	14,598	-	-373	-203	14,022
Retail	8,350	-	-739	-762	6,849
Large scale retail	1,682	-	-	-160	1,522
Industrial	1,719	-	-3	-303	1,419
Residential	73	-	-	-4	69
Total	26,422	-	-1,109	-1,432	23,881
Switzerland					
Offices	102	-	-102	-	-
Retail	498	-	-498	-	-
Total	600	-	-600	-	-
Belgium					
Offices	6,266	-	-	-132	6,134
Industrial	3,787	-	-37	-104	3,854
Total	10,053	-	-37	-28	9,988
Total NSI	37,075	-	-1,746	-1,469	33,869

Gross rental income Q4 2013 up to Q1 2014

Gross rental income by segment in the Netherlands and Belgium:

x €1,000	Q4 2013	Purchases	Disposals	Organic	Q1 2014
the Netherlands					
Offices	14,371	-	-	-349	14,022
Retail	7,373	-	-	-524	6,849
Large Scale retail	1,594	-	-	-72	1,522
Industrial	1,430	-	-4	-15	1,419
Residential	76	-	-	-7	69
Total	24,844	-	-4	-967	23,881
Switzerland					
Offices	14	-	-14	-	-
Retail	1	-	-1	-	-
Total	15	-	-15	-	-
Belgium					
Offices	6,218	-	-	-84	6,134
Industrial	4,083	-	-39	-190	3,854
Total	10,301	-	-39	-274	9,988
Total NSI	35,160	-	-50	-1,241	33,869

Financing

Intervest Offices & Warehouses successfully placed 2 bonds for a total amount of €60 million, with a term of respectively 5 years (€ 25 million, interest rate 3.430%) and 7 years (€ 35 million, interest rate 4.057%), expiring respectively on 1 April 2019 and 1 April 2021. These bonds will replace the current outstanding bond of 75 million with a coupon of 5.1%, which will be repaid on 29 June 2015. Until then, the financing costs will be temporarily higher.

In the Netherlands, 2 financing agreements for in total €43 million with Pfandbrief banks were extended in Q1 2014. A €23 million loan was extended until July 2016 and a €20 million loan was extended until May 2017.

The loan-to value decreased to slightly below 45%. It should be taken into account that no dividend is distributed in the 1st quarter and that no revaluations results are included. According to the valuation policy, the portfolio of NSI will be appraised as per 30 June (50% external) and 31 December (50% external).

The average costs of funds remained stable at 4.8%. The interest coverage ratio amounted to 2.6 as per 31 March 2014 (31 December 2013: 2.1). The funding available to the company under the committed credit facilities remained stable at €150.8 million.

Developments in the portfolio (acquisitions and disposals)

In the Dutch portfolio, a non-strategic industrial property (Tijnmuiden in Amsterdam) was sold around book value for €0.3 million. In Belgium, a non-strategic semi-industrial property (Riyadstraat, Meer) was sold at €2.0 million.

Dividend

The AGM, held on 25 April 2014, adopted the final dividend for 2013 of €0.09 per share. The dividend was distributed 7 May 2014.

Also the dividend policy of distributing at least 75% from the direct result in cash was adopted.

Furthermore, all other resolutions were adopted during the AGM, including the appointment of Mark Siezen as COO, the appointment of Mr L.A.S. van der Ploeg and Mr N. Tates, and the reappointment of Mr H.J. van den Bosch, as members of the Supervisory Board.

Prospects

As stated, the letting market will remain challenging, and therefore will continue to put pressure on rental levels. For 2014, NSI indicated in its annual results 2013 presentation that the expected decrease in net rental income will however be compensated by lower financing costs. NSI maintains this expectation, but the financing costs will be temporarily higher than previously anticipated due to the recently placed bond by Intervest Offices & Warehouses.

Financial calendar 2014

Publication Q2 results 2014	8 August 2014
Publication Q3 Trading update	14 November 2014

Interim-dividends

Setting of HY 2014 interim-dividend	8 August 2014
Listing ex-dividend	12 August 2014
Payment of HY 2014 interim-dividend	20 August 2014

About NSI

NSI aims to create a sustainable return for private and institutional investors by investing in high quality offices and retail locations that offer tenants suitable business accommodation, allowing them to run their business successfully. NSI invests in offices and retail in high-quality locations in the Netherlands and Belgium. NSI is a publicly listed closed-end real estate investment company with a variable capital, and post-merger manages invested assets of around €1.8 billion.

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