



# Q3 2017 Disclosure Supplement

November 9, 2017



# Forward Looking Statements



This presentation may contain certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements about future results, growth potential, projected leverage, projected occupancy rates, projected weighted average lease terms, projected net operating income, projected run rate cash savings, projected supply growth, projected yields, projected demand, projected economic growth, rates of return and performance, anticipated rental growth as a result of expected inflation, ability to reposition or enhance the performance of existing properties, market and industry trends, investment opportunities, business conditions and other matters, factors that may cause NorthStar Realty Europe Corp.'s, or NRE's, actual results in future periods to differ materially from these forward looking statements include, among other things: the effect of economic conditions, particularly in Europe, on the valuation of NRE's investments and on the tenants of the real property that NRE owns; the effect of NRE's manager's merger on NRE's business; the ability of Colony NorthStar, Inc., or CLNS, to scale its operations in Europe to effectively manage NRE; the unknown impact of the exit of the United Kingdom, or Brexit, or one or more other countries from the European Union, or EU, or the potential default of one or more countries in the EU or the potential break-up of the EU; NRE's ability to qualify and remain qualified as a real estate investment trust, or REIT; adverse domestic or international economic geopolitical conditions and the impact on the commercial real estate industry; volatility, disruption or uncertainty in the financial markets; access to debt and equity capital and NRE's liquidity; NRE's substantial use of leverage and NRE's ability to comply with the terms of NRE's borrowing arrangements; NRE's ability to monetize NRE's assets on favorable terms or at all; NRE's ability to obtain mortgage financing on NRE's real estate portfolio on favorable terms or at all; NRE's ability to acquire attractive investment opportunities and the impact of competition for attractive investment opportunities; the affect of increased activist stockholders and stockholder activism generally; the effects of being an externally-managed company, including NRE's reliance on CLNS and its affiliates and sub-advisors/co-venturers in providing management services to NRE, the payment of substantial base management and incentive fees to NRE's manager, the allocation of investments by CLNS among NRE and CLNS's other sponsored or managed companies and strategic vehicles and various conflicts of interest in NRE's relationship with CLNS; performance of NRE's investments relative to NRE's expectations and the impact on NRE's actual return on invested equity, as well as the cash provided by these investments and available for distribution; restrictions on NRE's ability to engage in certain activities and the requirement that NRE may be required to access capital at inopportune times as a result of NRE's borrowings; NRE's ability to make borrowings under NRE's credit facility; the impact of adverse conditions affecting office properties; the expected run rate cost savings as a result of operational efficiencies, the time required to achieve such run rate cost savings; the expected impact on contractual rent and same store NOI as a result of recent leasing activity; illiquidity of properties in NRE's portfolio; NRE's ability to realize current and expected return over the life of NRE's investments; tenant defaults or bankruptcy; any failure in NRE's due diligence to identify all relevant facts in NRE's underwriting process or otherwise; the impact of terrorism or hostilities involving Europe; NRE's ability to manage NRE's costs in line with NRE's expectations and the impact on NRE's cash available for distribution, or CAD, and net operating income, or NOI, of NRE's properties; NRE's ability to satisfy and manage NRE's capital requirements; environmental and regulatory requirements, compliance costs and liabilities relating to owning and operating properties in NRE's portfolio and to NRE's business in general; effect of regulatory actions, litigation and contractual claims against NRE and NRE's affiliates, including the potential settlement and litigation of such claims; changes in European, international and domestic laws or regulations governing various aspects of NRE's business; NRE's ability to effectively structure its investments in a tax efficient manner, including foreign, federal, state and local tax purposes; the impact that a rise in future interest rates may have on NRE's floating rate financing; potential devaluation of foreign currencies, predominately the Euro and U.K. Pound Sterling, relative to the U.S. dollar due to quantitative easing in Europe, Brexit and/or other factors which could cause the U.S. dollar value of NRE's investments to decline; general foreign exchange risk associated with properties located in European countries located outside of the Euro Area, including the United Kingdom; the loss of NRE's exemption from the definition of an “investment company” under the Investment Company Act of 1940, as amended; CLNS' ability to hire and retain qualified personnel and potential changes to key personnel providing management services to NRE; the lack of historical financial statements for properties NRE has acquired and may acquire in compliance with U.S. Securities and Exchange Commission, or SEC, requirements and U.S. generally accepted accounting principles, or U.S. GAAP, as well as the lack of familiarity of NRE's tenants and third-party service providers with such requirements; the potential failure to maintain effective internal controls and disclosure controls and procedures; the historical combined consolidated financial statements included in this Annual Report on Form 10-K not providing an accurate indication of NRE's performance in the future or reflecting what NRE's financial position, results of operations or cash flow would have been had NRE operated as an independent public company during the periods presented; NRE's status as an emerging growth company; and compliance with the rules governing REITs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “seek,” “anticipate,” “estimate,” “believe,” “could,” “project,” “predict,” “hypothetical,” “continue,” “future” or other similar words or expressions. The calculation of implied net asset value (NAV) included in the presentation is subject to numerous assumptions and may not be the best metric to use in evaluating the value of NRE and thus investors should not unduly rely on it as an indicator of value or otherwise. All forward-looking statements included in this presentation are based upon information available to NRE on the date hereof and NRE undertakes no duty to update any of the forward-looking statements after the date of this presentation to conform these statements to actual results. The forward-looking statements involve a number of significant risks and uncertainties. Factors that could have a material adverse effect on NRE's operations and future prospects are set forth in NorthStar Realty Europe Corp.'s Form 10-K for the year ended December 31, 2016, including the sections entitled “Risk Factors”. The factors set forth in the Risk Factors sections of the aforementioned filings and otherwise described in NorthStar Realty Europe Corp. filings with the SEC could cause actual results to differ significantly from those contained in any forward-looking statement contained in this presentation. NRE does not guarantee that the assumptions underlying such forward-looking statements are free from errors.

**This presentation is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities of NorthStar Realty Europe Corp. The notes and endnotes herein contain important information that is material to an understanding of this presentation and you should read this presentation only with and in context of the notes and endnotes.**

# Note Regarding Non-GAAP Financial Measures



Included in this presentation are Cash Available for Distribution, or CAD, net operating income, or NOI, same store NOI, and EPRA net asset value, or EPRA NAV, each a “non-GAAP financial measure,” which measures NRE’s historical or future financial performance that is different from measures calculated and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, within the meaning of the applicable Securities and Exchange Commission, or SEC, rules. NRE believes these metrics can be a useful measure of its performance which is further defined below.

## CAD

We believe that CAD provides investors and management with a meaningful indicator of operating performance. We also believe that CAD is useful because it adjusts for a variety of items that are consistent with presenting a measure of operating performance (such as transaction costs, depreciation and amortization, equity-based compensation, realized gain (loss) on sales and other, asset impairment and non-recurring bad debt expense). We adjust for transaction costs because these costs are not a meaningful indicator of our operating performance. For instance, these transaction costs include costs such as professional fees associated with new investments, which are expenses related to specific transactions. Management also believes that quarterly distributions are principally based on operating performance and our board of directors includes CAD as one of several metrics it reviews to determine quarterly distributions to stockholders. The definition of CAD may be adjusted from time to time for our reporting purposes in our discretion, acting through our audit committee or otherwise. CAD may fluctuate from period to period based upon a variety of factors, including, but not limited to, the timing and amount of investments, repayments and asset sales, capital raised, use of leverage, changes in the expected yield of investments and the overall conditions in commercial real estate and the economy generally. We calculate CAD by subtracting from or adding to net income (loss) attributable to common stockholders, non-controlling interests and the following items: depreciation and amortization items including straight-line rental income or expense (excluding amortization of rent free periods), amortization of above/below market leases, amortization of deferred financing costs, amortization of discount on financings and other and equity-based compensation; unrealized gain (loss) on derivatives and other; realized gain (loss) on sales and other (excluding any realized gain (loss) on foreign currency derivatives); impairment on depreciable property; non-recurring bad debt expense; acquisition gains or losses; transaction costs; foreign currency gains (losses); impairment on goodwill and other intangible assets; and one-time events pursuant to changes in U.S. GAAP and certain other non-recurring items. These items, if applicable, include any adjustments for unconsolidated ventures. CAD should not be considered as an alternative to net income (loss) attributable to common stockholders, determined in accordance with U.S. GAAP, as an indicator of operating performance. In addition, our methodology for calculating CAD involves subjective judgment and discretion and may differ from the methodologies used by other comparable companies, including other REITs, when calculating the same or similar supplemental financial measures and may not be comparable with these companies.

## NOI and Same Store NOI

We believe NOI is a useful metric of the operating performance of our real estate portfolio in the aggregate. Portfolio results and performance metrics represent 100% for all consolidated investments. Net operating income represents total property and related revenues, adjusted for: (i) amortization of above/below market leases; (ii) straight-line rent (except with respect to rent free period); (iii) other items such as adjustments related to joint ventures and non-recurring bad debt expense and less property operating expenses. However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, transaction costs, depreciation and amortization expense, realized gains (losses) on sales and other and other items under U.S. GAAP and capital expenditures and leasing costs necessary to maintain the operating performance of properties, all of which may be significant economic costs. NOI may fail to capture significant trends in these components of U.S. GAAP net income (loss) which further limits its usefulness. NOI should not be considered as an alternative to net income (loss), determined in accordance with U.S. GAAP, as an indicator of operating performance. In addition, our methodology for calculating NOI involves subjective judgment and discretion and may differ from the methodologies used by other comparable companies, including other REITs, when calculating the same or similar supplemental financial measures and may not be comparable with these companies.

We believe same store net operating income is a useful metric of the operating performance as it reflects the operating performance of the real estate portfolio excluding effects of non-cash adjustments and provides a better measure of operational performance for a quarter-over-quarter comparison. Same store net operating income is presented for the same store portfolio, which represents all properties that were owned by us at the end of the reporting period. We define same store net operating income as NOI excluding (i) properties that were acquired or sold during the period, (ii) impact of foreign currency changes and (iii) amortization of above/below market leases. We consider same store net operating income to be an appropriate and useful supplemental performance measure. Same store net operating income should not be considered as an alternative to net income (loss), determined in accordance with U.S. GAAP, as an indicator of operating performance. In addition, our methodology for calculating same store net operating income involves subjective judgment and discretion and may differ from the methodologies used by other comparable companies, including other REITs, when calculating the same or similar supplemental financial measures and may not be comparable with these companies. Same store statistics refer to the 26 properties that were owned in the same manner during both the current period (ownership throughout the whole period) and previous periods.

## EPRA NAV

We believe that disclosing EPRA NAV, a non-GAAP measure used by other European real estate companies, helps investors compare our balance sheet to other European real estate companies; however, EPRA NAV should not be considered as an alternative to net assets determined in accordance with U.S. GAAP as a measure of our asset values. EPRA NAV is derived from the NRE’s U.S. GAAP balance sheet with adjustments reflecting NRE’s interpretation of the EPRA guidance based on EPRA’s Best Practice Recommendations. As our entire portfolio is based in Europe, our management calculates EPRA NAV, a non-GAAP measure, to compare our balance sheet to other European real estate companies and believes that disclosing EPRA NAV provides investors with a meaningful measure of our net asset value. We calculate EPRA NAV based on the EPRA best practices recommendations. EPRA NAV makes adjustments to net assets as determined in accordance with U.S. GAAP in order to provide our stockholders a measure of fair value of the Company’s assets and liabilities with a long-term investment strategy. This performance measure excludes assets and liabilities that are not expected to be realized in normal circumstances. EPRA NAV includes the revaluation of investment properties and excludes the fair value of financial instruments that we intend to hold to maturity, deferred tax and goodwill that resulted from deferred tax. All other assets, including real property and investments reported at cost are adjusted to fair value based on periodic appraisals.

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# I. Highlights

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## VALUE ENHANCING LEASING ACTIVITY

- 47,000 sqm of new leases or lease renewals (14% of the portfolio) signed year to date, adding approximately \$2.3 million to same store NOI per annum from next year

## COST SAVING INITIATIVES

- Implementation of operational efficiencies expected to result in run rate annual cash expense savings of approximately \$4-5 million by the end of 2018 (\$0.07 - \$0.09 per share)
- An additional \$1.4 million (\$0.03 per share) of annual cash saving from an amendment to a \$562 million senior mortgage loan

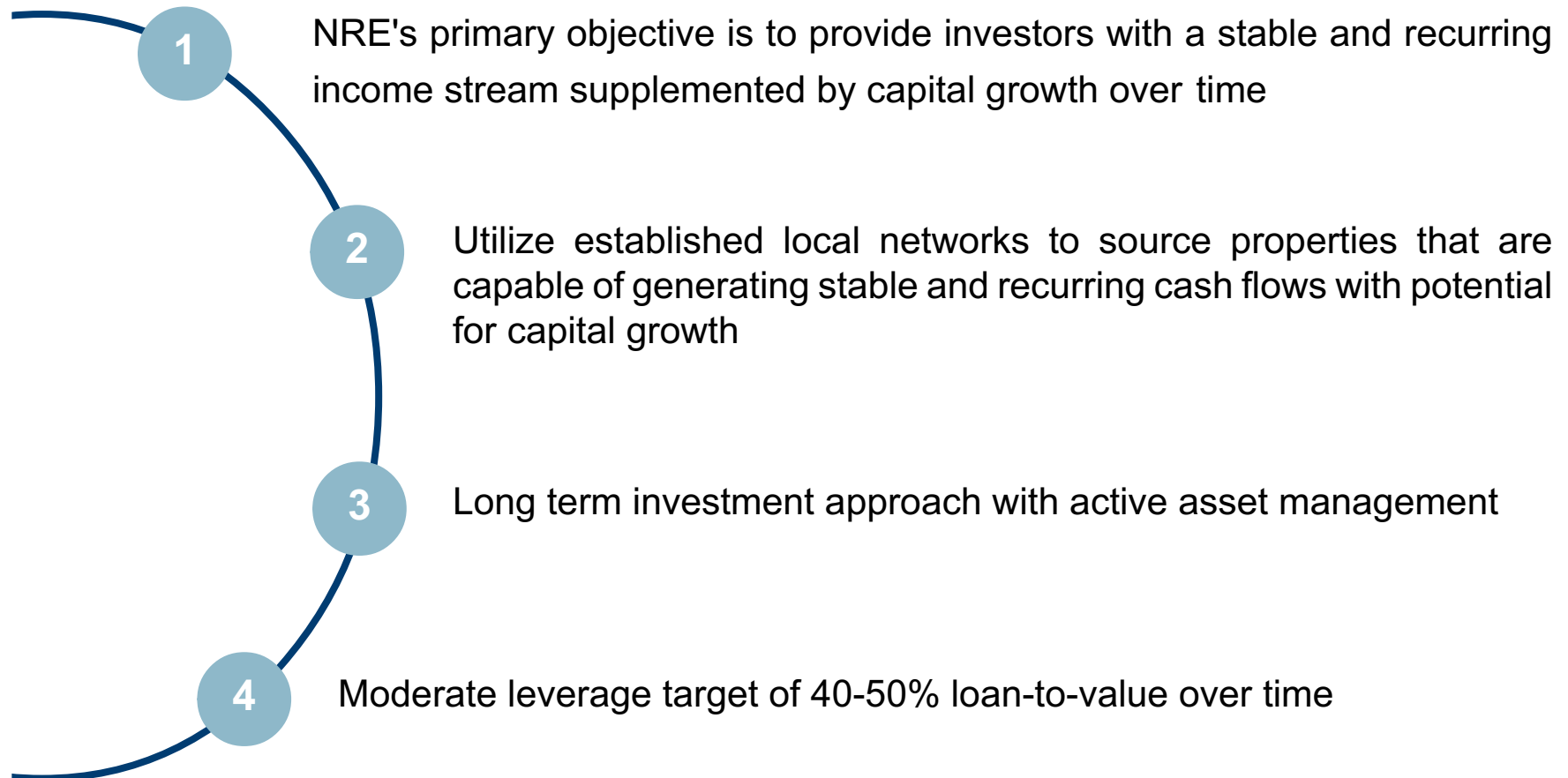
## AMENDMENT TO THE MANAGEMENT CONTRACT

- Amended the terms of NRE's external management contract with an affiliate of Colony NorthStar, Inc. ("CLNS" or the "Manager") effective January 1, 2018, further aligning interest between CLNS and NRE stockholders

## II. NRE Strategy



**Focus on prime office properties in key cities within Germany, the United Kingdom and France - the largest, most established, stable and liquid markets in Europe**



# IIIa. Q3 2017 - Summary Metrics



**\$2.2 billion**

Portfolio Market Value

**\$17.77**

EPRA NAV per share

**86% (88%)**

Real Estate Portfolio  
Occupancy (Proforma)

**6.4 (6.6) years**

Real Estate Portfolio  
WALT to Expiry (Proforma)

## Q3 2017 RESULTS

**\$26.0 million**

Net Operating Income (NOI)

**\$12.8 million**

Cash Available For Distribution (CAD)

**\$0.23**

CAD per diluted share

**\$0.15**

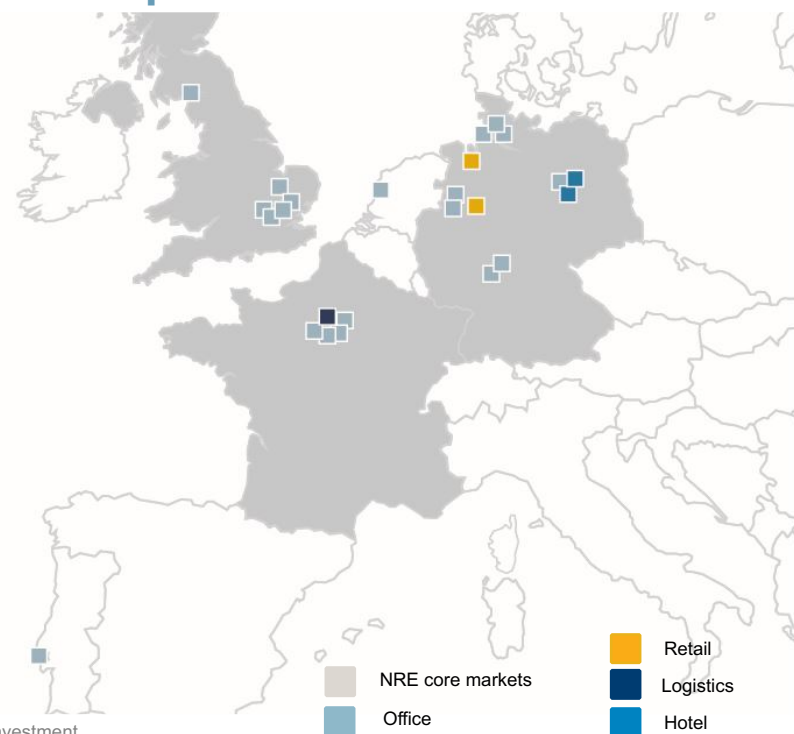
Dividend per share

**56.2%**

LTV based on Portfolio Market Value

## REAL ESTATE PORTFOLIO:

26 Properties



1. Number of properties, occupancy and WALT relate to the real estate portfolio and exclude the preferred equity investment.
2. FX rates used as of September 30, 2017 EUR/USD = 1.1813, GBP/USD = 1.3391
3. Pro forma occupancy ("Proforma Occupancy") and weighted average remaining contractual lease term ("WALT" and "Proforma WALT") based on rent roll as of September 30, 2017, adjusted for new leases signed, but commencing through remainder of 2017 and early 2018.
4. NOI, CAD and EPRA NAV are non-GAAP financial measures. For reconciliations of these non-GAAP financial measures to the most comparable measures prepared in accordance with GAAP, please refer to the tables on the following pages, notes to this Disclosure Supplement and NRE's filings with the SEC at [www.sec.gov](http://www.sec.gov)

# IIIb. Q3 2017 - Segments Overview



## REAL ESTATE PORTFOLIO - 26 properties in 5 countries

- \$2.2 billion Real Estate Portfolio Value based on mid-year 2017 independent valuation by Cushman & Wakefield
- Two properties sold in the third quarter for \$11.3 million, exiting Spain and reducing NRE's presence in the Netherlands to the Maastoren property

<i>Based on rent roll as of September 30, 2017</i>	Core Portfolio				Total Core Portfolio	Other <sup>2</sup>	Real Estate Portfolio Total
	Germany	UK	France				
Number of Assets	11	5	4		20	6	26
Area (Sqm) <sup>1</sup>	153,463	46,520	32,075		232,058	111,902	343,959
Occupancy	91%	99%	100%		94%	68%	86%
Proforma Occupancy	96%	99%	100%		97%	68%	88%
WALT to Expiry (years)	7.2	7.1	3.5		6.4	6.2	6.4
Proforma WALT to Expiry (years)	7.4	7.3	3.6		6.6	6.2	6.6
Real Estate Portfolio Value (\$ million)	1,023	584	354		1,962	243	2,204
Real Estate Portfolio Value (% of Total)	46%	27%	16%		89%	11%	100%
Contractual Rent (% of Total)	43%	26%	17%		86%	14%	100%
NOI (% of Total)	42%	28%	18%		88%	12%	100%

## PREFERRED EQUITY

- \$35 million (£26 million) preferred equity investment in Gresham Street (London) with an expected yield of 8% plus equity participation rights

1. Portfolio areas reflect contractual rentable areas

2. Other countries include Portugal and Netherlands and non-core assets in France, the UK and Germany



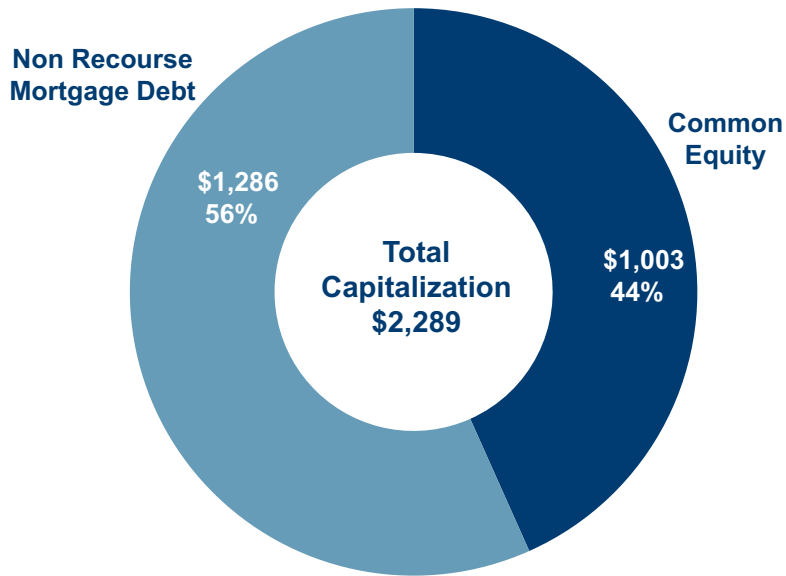


# IIIc. Q3 2017 - Capitalization

## LTV as of September 30, 2017 was 56.2%

### CAPITALIZATION BASED ON PORTFOLIO MARKET VALUE

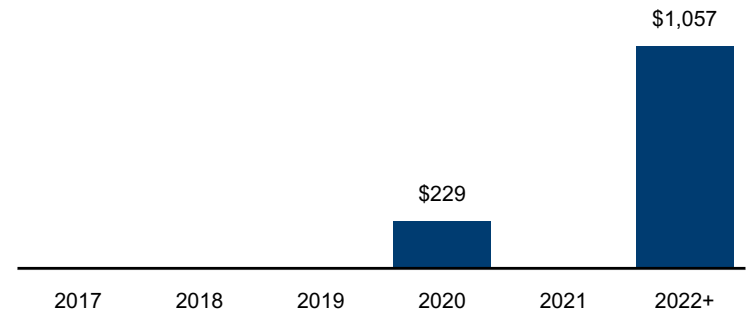
\$ millions (cumulative %)



- Debt maturity: 5.0 years<sup>1</sup>
- Mortgage debt and other notes payable are denominated in local currencies
  - 26% GBP
  - 74% EUR

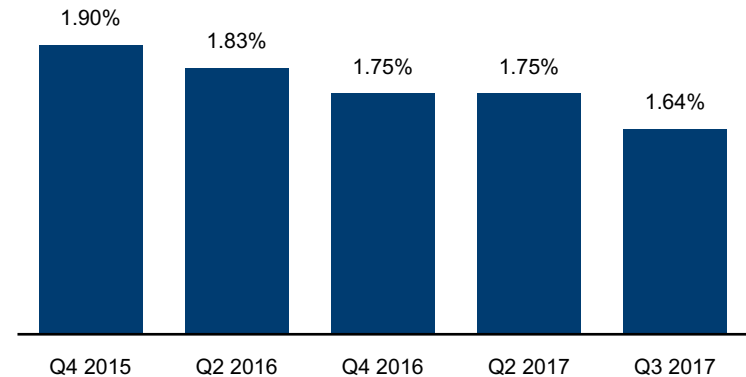
### DEBT MATURITY PROFILE

\$ millions



### AVERAGE COST OF DEBT

Weighted Average Margin



1. Assuming preferred equity notes related to the SEB portfolio maturity in April 2019.

# IVa. Real Estate Portfolio Asset Management Update<sup>1</sup>



Approximately \$2.3 million annual same store NOI increase expected beginning in 2018 as a result of 47,000 sqm of new leases executed in the first nine months of 2017

Approximately 35,000 sqm of leases signed during the third quarter of 2017 including:

- Portman Square (London, UK):
  - 10 year lease with Invesco for 4,379 sqm. Invesco, a tenant at the building since 2008, expanded into an additional 2,639 sqm from existing tenants
- Maastoren (Rotterdam, the Netherlands):
  - 10 year lease extension signed with Deloitte (approximately 22,800 sqm)
  - 10 year lease extension signed with AKD (approximately 4,800 sqm)

## RECENT LEASING ACTIVITY - MAJOR LEASES

Asset	Tenant	Lease Type	Lease Commencement	Area (sqm)	Contractual Rent Impact (million p.a.)	Asset Occupancy Increase	Asset WALT to Expiry Impact
Trianon <sup>2</sup>	Bundesbank	Expansion	Q4-17 (3 floors) / Q1-18 (2 floors)	7,005	\$2.8	10.2%	+ 0.6 years
Valentinskamp	Euroeyes / Post Bank	New Tenants	Q2-17 / Q3-17	1,955	\$0.7	13.2%	+ 1.8 years
Portman Square	Invesco	Expansion	Q3-17 / Q4-17	4,406	\$0.4	n/a	+ 2.1 years
Uhlandstrasse <sup>3</sup>	Reply	New Tenant	Q3-17 / Q3-18	2,764	\$0.1	9.8%	+ 2.9 years
Maastoren	Deloitte / AKD	Extension	Q2-17 / Q3-17	27,635	\$(1.6)	n/a	+ 4.8 years
Werl	Tedi	New Tenant	Q3-17	1,568	\$0.1	38.0%	+ 1.0 years
<b>Total</b>				<b>45,333</b>	<b>\$2.5</b>		
<b>Core Portfolio</b>				<b>17,698</b>	<b>\$4.1</b>		

1. All data based on rent roll as of September 30, 2017. Based on Proforma Occupancy and Proforma WALT

2. WALT impact includes 2 year lease extension of areas currently occupied by Bundesbank

3. Area and WALT impact includes Reply leases commencing in 2018 upon expiry of leases currently in place

# IVb. Real Estate Portfolio - Assets Overview



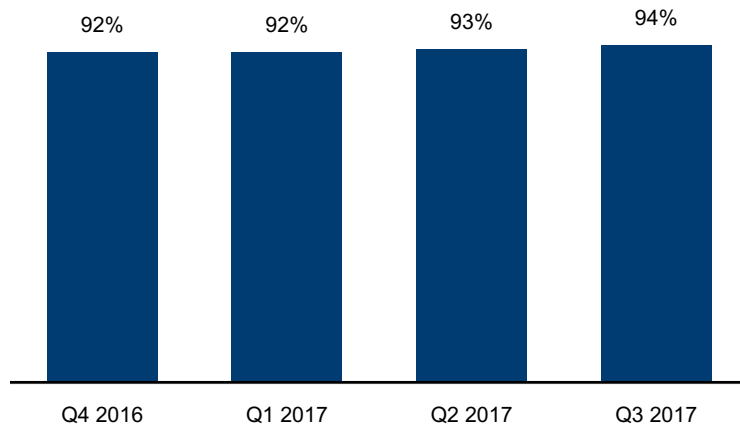
Asset	Location	Primary Asset Type	Area (sqm)	Occupancy	Proforma Occupancy	WALT to Expiry (Years)	Proforma WALT to Expiry (Years)	% Contractual Rent	Tenant Profile
<b>Core Portfolio</b>									
<b>UK</b>									
Portman Square	London, West End	Office	10,447	100%	100%	8.0	8.6	10.3%	Multi-let
Condor House	London, City	Office	11,311	99%	99%	7.4	7.4	8.2%	Multi-let
Dukes Court	Greater London	Office	20,794	100%	100%	6.0	6.0	5.8%	Multi-let
Chiswick	Greater London	Office	2,022	82%	82%	5.1	5.1	0.8%	Multi-let
St Albans	Greater London	Office	1,946	100%	100%	3.5	3.5	0.6%	Multi-let
<b>Germany</b>									
Trianon	Frankfurt	Office	68,524	87%	98%	7.0	7.2	28.0%	Multi-let
Valentinskamp	Hamburg	Office	14,881	75%	75%	6.2	6.2	2.8%	Multi-let
Parexel	Berlin	Office	18,254	100%	100%	16.7	16.7	3.1%	Single-let
Drehbahn	Hamburg	Office	11,916	100%	100%	3.7	3.7	2.4%	Single-let
Ludwigstrasse	Cologne	Office	9,984	93%	93%	3.9	3.9	1.8%	Multi-let
Dammtorwall	Hamburg	Office	7,496	100%	100%	1.8	2.3	1.4%	Multi-let
Uhlandstrasse	Frankfurt	Office	6,640	97%	97%	3.3	6.1	1.4%	Multi-let
IC Hotel	Berlin	Hotel	8,457	100%	100%	12.5	12.5	1.5%	Single-let
Ibis Berlin	Berlin	Hotel	3,828	100%	100%	6.4	6.4	0.8%	Single-let
Neuermarkt	Werl	Retail	3,483	88%	88%	2.2	2.2	0.2%	Multi-let
<b>France</b>									
Berges de Seine	Paris, Issy	Office	15,406	100%	100%	2.3	2.3	8.7%	Single-let
Mac Donald	Paris, Other	Office	11,235	100%	100%	3.6	3.6	4.9%	Single-let
Marceau	Paris, CBD	Office	3,806	100%	100%	6.7	6.7	2.5%	Multi-let
Joubert	Paris, CBD	Office	1,628	100%	100%	6.3	6.3	0.9%	Single-let
<b>Subtotal Core Portfolio</b>			<b>232,058</b>	<b>94%</b>	<b>97%</b>	<b>6.4</b>	<b>6.6</b>	<b>86.0%</b>	
<b>Other - Non Core Locations / Asset Types</b>									
Maastoren	Netherlands (Other)	Office	37,687	100%	100%	7.3	7.3	9.6%	Multi-let
Munster	Germany (Other)	Office	5,434	100%	100%	13.9	13.9	0.7%	Single-let
Office123	Portugal (Lisbon)	Office	4,325	69%	69%	1.7	1.7	0.7%	Multi-let
Glasgow	UK (Other)	Office	3,168	100%	100%	3.4	3.4	0.7%	Multi-let
Marly	France (Greater Paris)	Industrial	59,095	45%	45%	0.3	0.3	1.9%	Single-let
Kirchheide	Germany (Other)	Retail	2,192	19%	19%	4.7	4.7	—%	Multi-let
<b>Total</b>			<b>343,959</b>	<b>86%</b>	<b>88%</b>	<b>6.4</b>	<b>6.6</b>	<b>100.0%</b>	

a. All data based on rent roll as of September 30, 2017.

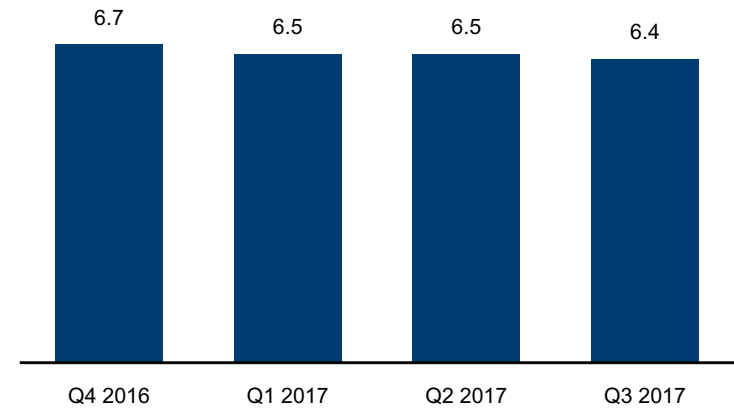
# IVc. Real Estate Portfolio Same Store Performance



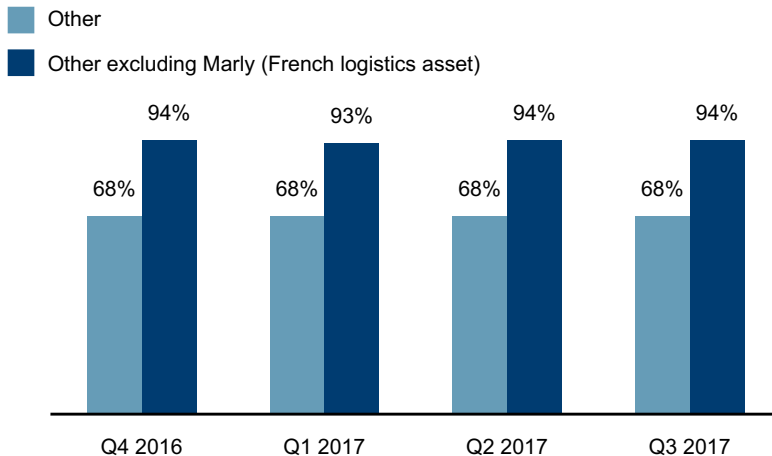
## CORE PORTFOLIO OCCUPANCY



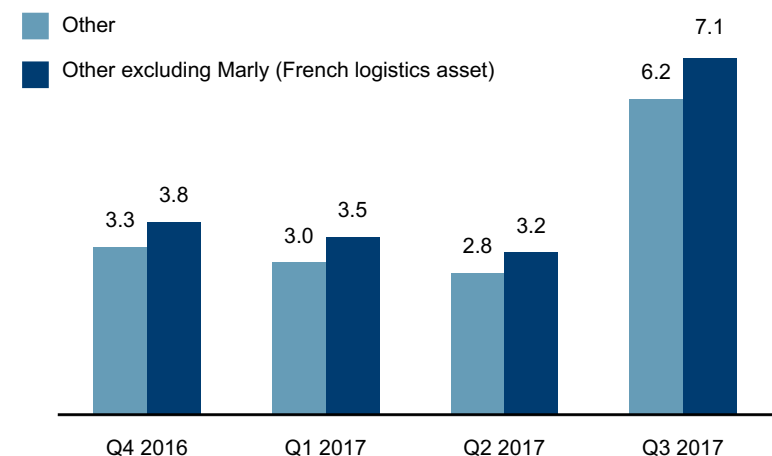
## CORE PORTFOLIO WALT TO EXPIRY (YEARS)



## OTHER PORTFOLIO OCCUPANCY



## OTHER PORTFOLIO WALT TO EXPIRY (YEARS)



a. All data based on rent roll as of September 30, 2017.

# IVd. Real Estate Portfolio Tenancy Overview

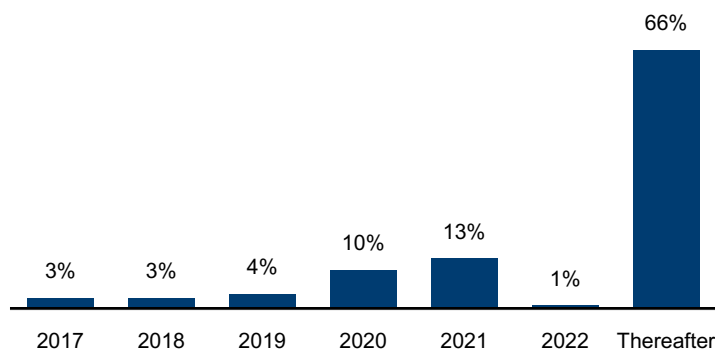


## TOP 10 TENANTS

Tenant	Asset (Location)	Area (sqm)	Remaining Lease Term (in years)	% Contractual Rent
DekaBank Deutsche Girozentrale	Trianon (Frankfurt, Germany)	36,524	6.7	19.5%
BNP PARIBAS RE	Mac Donald (Paris, France)	15,406	2.3	8.7%
Deutsche Bundesbank	Trianon (Frankfurt, Germany)	15,304	9.2	5.4%
Deloitte Holding B.V.	Maastoren (Rotterdam, Netherlands)	23,547	9.6	5.3%
BNP PARIBAS SA	Berges de Seine (Paris, France)	11,235	3.6	4.9%
Cushman & Wakefield LLP	Portman Square (London, UK)	5,150	7.5	4.7%
Morgan Lewis & Bockius LLP	Condor House (London, UK)	4,848	8.0	3.7%
Invesco UK Limited	Portman Square (London, UK)	3,126	9.9	3.6%
PAREXEL International GmbH	Parexel (Berlin, Germany)	18,254	16.7	3.1%
Moelis & Co UK LLP	Condor House (London, UK)	3,366	7.5	2.5%
<b>Total Top 10</b>		<b>136,760</b>	<b>7.2</b>	<b>61.4%</b>

## LEASE EXPIRY PROFILE

(through contractual term, as of September 30, 2017)



## TENANTS BY INDUSTRY

Industry	% Contractual Rent
Finance	44.9%
Legal, Tax & Management Consultancy	21.6%
Public Authorities, Organizations & Educational Organization	10.0%
Consumer Goods Industry & Retail	4.5%
Technology & Software	3.5%
Hotel & Gastronomy	3.3%
Media & Entertainment Industry	1.6%
Construction	0.6%
Public Utilities & Telecommunications	0.1%
Other	10.0%
<b>Total</b>	<b>100.0%</b>

a. All data based on rent roll as of September 30, 2017.

b. Rentable areas for the Top 10 Tenants include office and other rentable areas excluding parking (as applicable).

# V. Amended Management Agreement and Ownership Waiver<sup>(1)</sup>



## AMENDED MANAGEMENT AGREEMENT - SUMMARY TERMS

<b>Initial Term and Renewal</b>	- Initial 5-year term and subsequent 3-year term renewals unless terminated by either party
<b>Termination</b>	- During the initial 5-year term, only for certain “cause” events. Thereafter, NRE may elect to terminate without cause at the end of each term. - Following the initial term, NRE may also terminate at any time upon a Change of Control (as defined) of NRE
<b>Termination Payment</b>	- 3.0x LTM Base Management Fee at the end of each term if terminated by NRE or upon a Change of Control
<b>Base Management Fee</b>	- 1.5% per annum of EPRA NAV (as defined) amounts up to \$2.0 billion plus 1.25% of EPRA NAV amounts above \$2.0 billion, based on the prior quarter EPRA NAV - The fee is variable (upwards and downwards)
<b>Incentive Fee</b>	- 20% of the excess of the Total Stockholder Return (as defined, and subject to a high water mark established when an incentive is realized) over a cumulative 10% annual hurdle rate - The first measurement period for the incentive fee will begin on January 1, 2018
<b>Consideration</b>	- Base Management is payable quarterly in cash but the Incentive Fee is payable, at NRE’s election, in cash, restricted shares of common stock or unrestricted shares of common stock or combination thereof - If payment is made in common stock, shares are valued at the higher of Market Price (as defined) and EPRA NAV per share (as defined), subject to a lock up with staggered releases over a 3 year term (1/3 released each year)
<b>Expense Reimbursements</b>	- NRE is responsible for its direct costs. In addition, NRE will reimburse CLNS for costs related to internalization services (as defined) subject to the following caps (per annum): - 0.15% of gross asset value (as defined) amounts up to \$2.5 billion, plus - 0.125% of gross asset value amounts between \$2.5 billion and \$5.0 billion, plus - 0.10% of gross asset value amounts above \$5.0 billion
<b>Equity Based Compensation</b>	- The aggregate annual grant amount, if any, must be approved by NRE Compensation Committee

## OWNERSHIP WAIVER

- NRE provided CLNS with an ownership waiver under NRE’s charter, allowing CLNS to purchase up to 45% of NRE’s common stock subject to certain voting restrictions
- CLNS agreed that for all matters submitted to a vote of NRE’s stockholders, to the extent CLNS owns more than 25% of NRE’s common stock, it will vote the excess shares in the same proportion that the remaining NRE shares not owned by CLNS are voted

# Vla. Financial Highlights

## Consolidated Balance Sheet



<i>\$ Thousands, Unaudited</i>	September 30, 2017	December 31, 2016
<b>Assets</b>		
Operating real estate, gross	\$ 1,751,141	\$ 1,614,432
Less: accumulated depreciation	(96,805)	(63,585)
Operating real estate, net	1,654,336	1,550,847
Preferred equity investments	35,086	—
Cash and cash equivalents	49,728	66,308
Restricted cash	8,516	10,242
Receivables, net of allowance of \$611 and \$553 as of September 30, 2017 and December 31, 2016, respectively	8,114	6,015
Assets held for sale	76,141	28,208
Derivative assets, at fair value	8,054	13,729
Intangible assets, net	123,141	148,403
Other assets, net	26,117	21,640
<b>Total assets</b>	<b>\$ 1,989,233</b>	<b>\$ 1,845,392</b>
<b>Liabilities</b>		
Mortgage and other notes payable, net	\$ 1,272,758	\$ 1,149,119
Accounts payable and accrued expenses	25,318	28,004
Due to related party	3,483	4,991
Derivative liabilities, at fair value	5,547	—
Intangible liabilities, net	29,911	30,802
Liabilities held for sale	2,453	2,041
Other liabilities	29,996	28,918
<b>Total liabilities</b>	<b>1,369,466</b>	<b>1,243,875</b>
Commitments and contingencies		
Redeemable non-controlling interest	1,809	1,610
<b>Equity</b>		
<b>NorthStar Realty Europe Corp. Stockholders' Equity</b>		
Preferred stock, \$0.01 par value, 200,000,000 shares authorized, no shares issued and outstanding as of September 30, 2017 and December 31, 2016	—	—
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 55,313,294 and 55,395,143 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	554	554
Additional paid-in capital	937,195	925,473
Retained earnings (accumulated deficit)	(340,198)	(282,769)
Accumulated other comprehensive income (loss)	15,281	(51,424)
<b>Total NorthStar Realty Europe Corp. stockholders' equity</b>	<b>612,832</b>	<b>591,834</b>
Non-controlling interests	5,126	8,073
<b>Total equity</b>	<b>617,958</b>	<b>599,907</b>
<b>Total liabilities, redeemable non-controlling interest and equity</b>	<b>\$ 1,989,233</b>	<b>\$ 1,845,392</b>

# Vib. Financial Highlights

## Consolidated Statement of Operations



\$ Thousands (other than per share data), Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Revenues</b>				
Rental income	\$ 27,747	\$ 29,798	\$ 79,308	\$ 98,622
Escalation income	5,641	7,828	16,360	19,825
Interest income	704	—	1,001	—
Other income	171	149	708	899
Total revenues	<u>34,263</u>	<u>37,775</u>	<u>97,377</u>	<u>119,346</u>
<b>Expenses</b>				
Properties - operating expenses	7,519	9,493	22,521	27,263
Interest expense	6,536	9,301	19,641	33,484
Transaction costs	332	150	1,565	2,633
Impairment losses	—	—	—	27,468
Management fee, related party	3,585	3,548	10,716	10,548
Other expenses	1,996	2,848	6,604	9,579
General and administrative expenses	1,723	2,199	5,875	5,181
Compensation expense <sup>1</sup>	2,839	5,194	20,094	12,225
Depreciation and amortization	14,396	13,989	39,479	51,264
Total expenses	<u>38,926</u>	<u>46,722</u>	<u>126,495</u>	<u>179,645</u>
<b>Other income (loss)</b>				
Unrealized gain (loss) on derivatives and other	(3,472)	(4,982)	(12,068)	(19,775)
Realized gain (loss) on sales and other	1,681	3,814	8,632	6,188
<b>Income (loss) before income tax benefit (expense)</b>	<u>(6,454)</u>	<u>(10,115)</u>	<u>(32,554)</u>	<u>(73,886)</u>
Income tax benefit (expense)	(352)	(2,655)	(316)	(2,515)
<b>Net income (loss)</b>	<u>(6,806)</u>	<u>(12,770)</u>	<u>(32,870)</u>	<u>(76,401)</u>
Net (income) loss attributable to non-controlling interests	36	49	303	792
<b>Net income (loss) attributable to NorthStar Realty Europe Corp. common stockholders</b>	<u>\$ (6,770)</u>	<u>\$ (12,721)</u>	<u>\$ (32,567)</u>	<u>\$ (75,609)</u>
<b>Earnings (loss) per share:</b>				
Basic	<u>\$ (0.12)</u>	<u>\$ (0.22)</u>	<u>\$ (0.59)</u>	<u>\$ (1.28)</u>
Diluted	<u>\$ (0.12)</u>	<u>\$ (0.22)</u>	<u>\$ (0.59)</u>	<u>\$ (1.28)</u>
<b>Weighted average number of shares:</b>				
Basic	<u>55,155,440</u>	<u>58,239,941</u>	<u>55,004,888</u>	<u>58,923,027</u>
Diluted	<u>55,602,078</u>	<u>58,928,421</u>	<u>55,565,341</u>	<u>59,612,985</u>
<b>Dividends per share of common stock</b>	<u>\$0.15</u>	<u>\$0.15</u>	<u>\$0.45</u>	<u>\$0.45</u>

1. Compensation expense for the three and nine months ended September 30, 2017 and 2016 is comprised of equity-based compensation expenses. For the nine months ended September 30, 2017, compensation expense includes the impact of substantially all time based and certain performance based awards vesting in connection with the change of control of the manager (the "Mergers")



# Vlc. Financial Highlights - CAD<sup>(2)</sup>



\$ Thousands (other than per share data), Unaudited	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss) attributable to common stockholders	\$ (6,770)	\$ (12,721)	\$ (32,567)	\$ (75,609)
Non-controlling interests	(36)	(49)	(303)	(792)
<i>Adjustments:</i>				
Depreciation and amortization items	17,096	20,870	61,656	71,300
Impairment losses	—	—	—	27,468
Unrealized (gain) loss on derivatives and other	3,472	4,982	12,068	19,775
Realized (gain) loss on sales and other	(1,449)	(3,714)	(6,944)	(7,283)
Transaction costs and other	438	4,564	2,480	7,333
<b>CAD</b>	<b>\$ 12,751</b>	<b>\$ 13,932</b>	<b>\$ 36,390</b>	<b>\$ 42,192</b>
<b>CAD per share</b>	<b>\$ 0.23</b>	<b>\$ 0.23</b>	<b>\$ 0.65</b>	<b>\$ 0.69</b>

# Vld. Financial Highlights - NOI<sup>(3)</sup>



## NOI

\$ Thousands, Unaudited	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Rental income	\$ 27,747	\$ 29,798	\$ 79,308	\$ 98,622
Escalation income	5,641	7,828	16,360	19,825
Other income	171	149	708	899
Total property and other income	33,559	37,775	96,376	119,346
Properties - operating expenses	7,519	9,493	22,521	27,263
<i>Adjustments:</i>				
Interest income	704	—	1,001	—
Amortization and other items	(789)	166	(257)	2,815
<b>NOI</b>	<b>\$ 25,955</b>	<b>\$ 28,448</b>	<b>\$ 74,599</b>	<b>\$ 94,898</b>

Note: Year on year NOI decrease driven primarily by sales. Please refer to the further slides for same store performance.

## Reconciliation of Net Income (Loss) to NOI

\$ Thousands, Unaudited	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Net income (loss)</b>	\$ (6,806)	\$ (12,770)	\$ (32,870)	\$ (76,401)
Remaining segments(i)	10,319	13,935	46,272	46,174
<i>Real estate segment adjustments:</i>				
Interest expense	6,325	7,132	18,896	24,249
Other expenses	1,974	2,850	6,389	9,547
Depreciation and amortization	14,396	13,989	39,479	51,264
Unrealized (gain) loss on derivatives and other	951	4,330	1,912	18,715
Realized (gain) loss on sales and other	(1,621)	(3,691)	(7,116)	(10,841)
Income tax (benefit) expense	352	2,655	316	2,515
Other items	65	18	1,321	2,208
<b>Net (income) loss - Real estate segment</b>	<b>22,442</b>	<b>27,283</b>	<b>61,197</b>	<b>125,125</b>
<b>NOI</b>	<b>\$ 25,955</b>	<b>\$ 28,448</b>	<b>\$ 74,599</b>	<b>\$ 94,898</b>

# Vle. Financial Highlights

## Same Store NOI (quarter over quarter)



- Same Store NOI decreased by (1.5)% due to value enhancing leasing activity in Maastoren (\$0.7 million including \$0.3 million related to the retrospective nature of the lease)
- Core Portfolio Same Store NOI increased by 1.1% driven by rent reviews in Condor House

\$ Thousands, Unaudited	Three Months Ended		Increase (Decrease)	
	September 30, 2017	June 30, 2017	Amount	Percentage
Occupancy (end of period)	85.5%	84.7%		
Core Portfolio Occupancy (end of period)	93.9%	92.7%		
Rental income	\$ 26,799	\$ 27,231	\$ (432)	
Escalation income	5,526	5,728	(202)	
Other income	187	423	(236)	
<b>Total revenues</b>	<b>32,512</b>	<b>33,382</b>	<b>(870)</b>	<b>(2.6)%</b>
Utilities	1,892	2,108	(216)	
Real estate taxes and insurance	1,337	1,549	(212)	
Non-recoverable value added tax	536	499	37	
Management fees	589	580	9	
Repairs and maintenance	2,446	2,543	(97)	
Ground rent	193	197	(4)	
Other	332	327	5	
<b>Properties - operating expenses</b>	<b>7,325</b>	<b>7,803</b>	<b>(478)</b>	<b>(6.1)%</b>
<b>Same Store net operating income</b>	<b>\$ 25,187</b>	<b>\$ 25,579</b>	<b>\$ (392)</b>	<b>(1.5)%</b>
Core Portfolio Same Store NOI	22,235	21,991	244	1.1 %

### Reconciliation of Net Income (Loss) to Same Store NOI

\$ Thousands, Unaudited	Three Months Ended	
	September 30, 2017	June 30, 2017
Net income (loss)	\$ (6,806)	\$ (10,538)
Corporate segment net (income) loss	11,023	12,860
Other (income) loss	22,442	22,936
Net operating income	25,955	24,961
Sale of real estate investments and other	(64)	915
Interest income	(704)	(297)
<b>Same Store net operating income</b>	<b>\$ 25,187</b>	<b>\$ 25,579</b>

- Includes 26 properties owned by NRE as of September 30, 2017.
- Three months ended June 30, 2017 is translated using the average exchange rate for the three months ended September 30, 2017.
- Adjusted to exclude amortization of above/below market leases. Other includes bad debt expense, administrative costs and other non-reimbursable expenses.

# Vle. Financial Highlights

## Same Store NOI (year over year)



- Same Store Rental Income (5.2)% lower year on year due recent value enhancing leasing activity in Maastoren (\$0.7 million including \$0.3 million related to the retrospective nature of the lease) and vacancy in the Trianon property, which has now been relet (\$0.7 million per quarter Contractual Rent)
- Same store NOI (6.3)% down due to the above described leasing activity and timing of certain non recoverable expenses

\$ Thousands, Unaudited	Three Months Ended September 30,		Increase (Decrease)	
	2017	2016	Amount	Percentage
<i>Occupancy (end of period)</i>	85.5%	86.0%		
<i>Core Portfolio Occupancy (end of period)</i>	93.9%	94.7%		
Rental income	\$ 26,799	\$ 27,977	\$ (1,178)	
Escalation income	5,526	6,200	(674)	
Other income	187	128	59	
<b>Total revenues</b>	<b>32,512</b>	<b>34,305</b>	<b>(1,793)</b>	<b>(5.2)%</b>
Utilities	1,892	2,063	(171)	
Real estate taxes and insurance	1,337	1,236	101	
Non-recoverable value added tax	536	478	58	
Management fees	589	435	154	
Repairs and maintenance	2,446	2,735	(289)	
Ground rent	193	177	16	
Other	332	313	19	
<b>Properties - operating expenses</b>	<b>7,325</b>	<b>7,437</b>	<b>(112)</b>	<b>(1.5)%</b>
<b>Same Store net operating income</b>	<b>\$ 25,187</b>	<b>\$ 26,868</b>	<b>\$ (1,681)</b>	<b>(6.3)%</b>
<i>Core Portfolio Same Store NOI</i>	22,235	23,410	(1,175)	(5.0)%

### Reconciliation of Net Income (Loss) to Same Store NOI

\$ Thousands, Unaudited	Three Months Ended September 30,	
	2017	2016
Net income (loss)	\$ (6,806)	\$ (12,770)
Corporate segment net (income) loss	11,023	13,935
Other (income) loss	21,738	27,283
<b>Net operating income</b>	<b>25,955</b>	<b>28,448</b>
Sale of real estate investments and other	(64)	(1,580)
Interest income	(704)	—
<b>Same Store net operating income</b>	<b>\$ 25,187</b>	<b>\$ 26,868</b>

- Three months ended September 30, 2016 is translated using the average exchange rate for the three months ended September 30, 2017.
- Adjusted to exclude amortization of above/below market leases. Other includes bad debt expense, administrative costs and other non-reimbursable expenses.

# Vlf. Financial Highlights - EPRA NAV



<i>\$ Thousands, other than per share data, Unaudited</i>		<b>September 30, 2017</b>
<b>Total Equity</b>	<b>\$</b>	<b>617,958</b>
<i>Adjustments</i>		
Operating real estate and net intangibles		(1,822,610)
Fair value of properties		2,204,104
<b>Adjusted NAV</b>		<b>999,452</b>
Diluted NAV, after the exercise of options, convertibles and other equity interests		999,452
Fair value of financial instruments		(7,747)
<b>EPRA NAV</b>		<b>991,705</b>
<b>EPRA NAV per diluted share</b>	<b>\$</b>	<b>17.77</b>

1. EPRA NAV is derived from NRE's U.S. GAAP balance sheet with adjustments reflecting NRE's interpretation of the EPRA guidance.
2. Total equity per share and EPRA NAV per share as of September 30, 2017 based on 55.8 common shares, operating partnership units and RSUs not subject to performance hurdles outstanding as of September 30, 2017, does not take into account any potential dilution from restricted stock units subject to performance metrics not currently achieved.

# VIIa. European Real Estate Market Overview



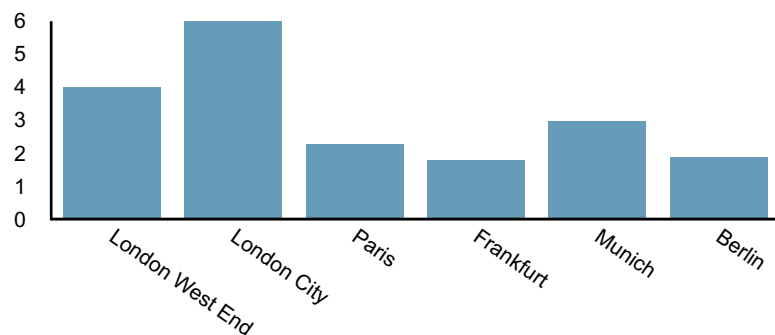
- Q3 2017 investment volume of €66 billion (21% above Q3 2016) and €197 billion year to date (16% y-o-y increase)
  - Approx. 49% in office sector
  - Approx. 56% of transactions in Germany, UK and France
  - Asian investors accounted for €23 billion (57% y-o-y increase)
- Prime property yields remained broadly stable during 2017 and continue to reflect a significant premium to sovereign yields
- Strong occupational markets with growing office take-up and decreasing vacancy rates across all major European cities
- Office supply pipeline remains subdued with high levels of pre-lets

## Evolution of European CRE Prime Yields

		Sep-16	Jun-17	Sep-17	3m Delta	1Y Delta
Office	Germany	3.60%	3.00%	3.00%	—%	(0.60)%
	France	3.15%	3.00%	3.00%	—%	(0.15)%
	UK	3.75%	3.75%	3.75%	—%	—%
Retail	Germany	4.10%	4.00%	4.00%	—%	(0.10)%
	France	3.50%	3.25%	3.25%	—%	(0.25)%
	UK	4.65%	4.65%	4.65%	—%	—%
Industrial	Germany	5.00%	4.75%	4.50%	(0.25)%	(0.50)%
	France	5.75%	5.00%	5.00%	—%	(0.75)%
	UK	5.00%	4.85%	4.85%	—%	(0.15)%

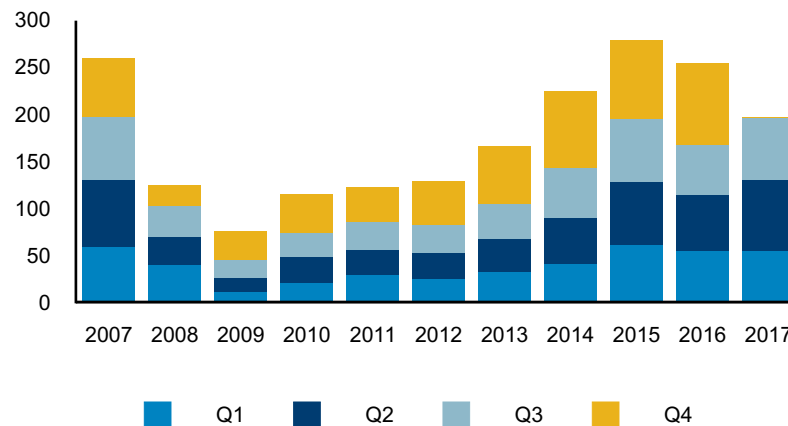
## Subdued Office Pipeline

2017 - 2018 Completions as % of current stock



## European CRE Investment Volume

€ billion



Source: CBRE, Savills, Capital Economics

# VIIb. Market Overview - Germany



**2.0%**

2017F GDP Growth

**3.6%**

Unemployment Rate (Aug-2017)

**0.46%**

10Y Bond

**€13 / €39 billion**

Q3 / YTD 2017 Investment Volume

**3.0% (- 60bps)**

Average Prime Office Yield (y-o-y)

**5.3% (- 70bps)**

Top 6 Cities Office Vacancy (y-o-y)

## Economic Overview

- Continued recovery and improving business confidence
- In October 2017, the International Monetary Fund ("IMF") revised its 2017 and 2018 GDP forecast up by 0.2%<sup>1</sup> to 2.0% and 1.8% respectively citing strong consumer demand, growing exports and a rise in investments
- Second lowest unemployment rate in the EU

## Real Estate Overview

- 2017 YTD investment volume 21% above same period of 2016 and highest volume recorded since 2007
- Prime office yields remained stable during the third quarter
- Growing office take-up (9.4% y-o-y) combined with increasingly scarce supply, creating downward pressure on vacancy rates (70bps y-o-y decrease) and upward pressure on rents
- 2018 office supply pipeline below 10 year average

Source: IMF October Economic Outlook, Eurostat, Savills, CBRE  
Data as of September 30, 2017 unless stated otherwise.

1. Compared to the July Economic Outlook, 0.4% up compared to the April forecast

# VIIc. Market Overview - United Kingdom



**1.7%**

2017F GDP Growth

**4.3%**

Unemployment Rate (Aug-2017)

**1.3%**

10Y Bond

**€19 / €54 billion**

Q3 / YTD 2017 Investment Volume

**3.25% (- bps)**

Prime Office Yield West End (y-o-y)

**4.0% (- bps)**

Prime Office Yield City (y-o-y)

**3.9% (+50bps)**

West End Office Vacancy (y-o-y)

**6.1% (+60bps)**

City Office Vacancy (y-o-y)

## Economic Overview

- The UK economy slowed in 2017 (0.4% growth in Q3 2017) and is expected to grow by 1.6% this year based on the latest forecast by the the Bank of England ("BoE")
- On-going uncertainty regarding the outcome of Brexit negotiations
- In November 2017, BoE increased interest rates from 0.25% to 0.50% to contain inflation which was 3% in the year to September

## Real Estate Overview

- 2017 YTD investment volume 49% above same period of 2016 while yields remained stable
- London investment volume reached €13 billion year to date, which equaled the investment volume for the full year 2016
- 0.9% prime office rental growth in Q3 2017, driven by South East and regional UK submarkets
- New London office supply<sup>1</sup> pipeline (approximately 50% is prelet):
  - West End: 3.5% of total stock
  - City: 6.4% of total stock

Source: IMF October Economic Outlook, Bank of England, Eurostat, Savills, CBRE  
Data as of September 30, 2017 unless stated otherwise.

1. 2017 - 2018 new office supply



# VIIId. Market Overview - France



**1.6%**

2017F GDP Growth

**9.8%**

Unemployment Rate (Aug-2017)

**0.87%**

10Y Bond

**€5 / €15 billion**

Q3 / YTD 2017 Investment Volume

**3.0% (- 15 bps)**

Prime Office Yield (y-o-y)

**3.1%**

## Economic Overview

- Improving confidence and economic growth following the recent elections in May 2017
- In October 2017, the IMF revised its 2017 and 2018 GDP forecast up by 0.1%<sup>1</sup> to 1.6% and 1.8%, respectively driven partially by a stabilized political situation and improving consumer demand

## Real Estate Overview

- Q3 2017 investment volume 13% below the same period of 2016 primarily due to shortage of large transactions
- Strong occupier demand and limited supply of Class A stock creating pressure on vacancy, which now stands at a 5 year low and is likely to create upward pressure on rents

# Definitions



## Contractual Rent

Contractual rent represents annualized in place income based on rent roll as of September 30, 2017 ("Contractual Rent").

## Core Portfolio

Core portfolio ("Core Portfolio") comprises primarily office properties in key cities within Germany, the United Kingdom and France ("Core Portfolio"). Core Portfolio includes 2 hotel properties (held as net lease) and 1 German retail property. Core German properties comprise 11 separate buildings.

## Loan to Value

Loan to Value ("LTV") is a function of property level debt and portfolio level preferred equity divided by the Portfolio Market Value and unrestricted cash net of the revolving credit facility.

## Portfolio Market Value

Portfolio market value ("Portfolio Market Value") includes Real Estate Portfolio Value and the value of NRE's preferred equity segment. The \$2.2 billion portfolio market value comprises \$2.2 billion real estate portfolio value based on the independent valuation by Cushman & Wakefield LLP and \$35 million preferred equity investment (please refer to Note 11, "Fair Value" in the NRE Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 included in Part I Item 1. "Financial Statements").

## Proforma Occupancy and Proforma Weighted Average Lease term

Pro forma occupancy ("Proforma Occupancy") and weighted average remaining contractual lease term ("WALT" and "Proforma WALT") based on rent roll as of September 30, 2017, adjusted for new leases signed, but commencing through remainder of 2017 and early 2018.

## Real Estate Portfolio Value

The \$2.2 billion real estate portfolio market value ("Real Estate Portfolio Value") is based on independent valuation by Cushman & Wakefield ("C&W"). The external third-party valuation was prepared by Cushman & Wakefield LLP in accordance with the current U.K. and Global edition of the Royal Institution of Chartered Surveyors' (RICS) Valuation - Professional Standards (the "Red Book") on the basis of "Fair Value", which is widely recognized within Europe as the leading professional standards for independent valuation professionals. Each property is classified as an investment and has been valued on the basis of Fair Value adopted by the International Accounting Standards Board. This is the equivalent to the Red Book definition of Market Value. The Red Book defines Market Value as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion. The Cushman & Wakefield LLP valuation assumes that certain properties would be purchased through market accepted structures resulting in lower purchaser transaction expenses (taxes, duties, and similar costs). This Cushman & Wakefield LLP valuation is as of June 30, 2017, adjusted for FX as of September 30, 2017.

As an opinion, appraisals are not a measure of realizable value and may not reflect the amount that would be received if the property in question were sold. Real estate valuation is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and the valuation methodology adopted. Real estate valuations are subject to a large degree of uncertainty and are made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the commercial or residential real estate markets. For example, in the appraisal, a number of the properties were valued using the special assumption that such properties would be purchased through a tax-efficient special purpose vehicle, and is therefore subject to lower purchaser transaction expenses. If one or more assumptions are incorrect, the value may be materially lower than the appraised value.



1. Corporate Initiatives - Management Contract
  - a. Please see NRE's Quarterly Report on Form 10-Q and the exhibits thereto for additional details relating to the terms of the amended and restated management agreement ("Amended Management Agreement") and ownership waiver and for a copy of the Amended Management Agreement
2. Financial Highlights – Cash Available for distribution (CAD)
  - a. Three months ended September 30, 2017 represents an adjustment to exclude depreciation and amortization of \$(14.4) million, amortization expense of capitalized above/below market leases of \$0.8 million, amortization of deferred financing costs of \$(0.7) million and amortization of equity-based compensation of \$(2.8) million. Three months ended September 30, 2016 represents an adjustment to exclude depreciation and amortization of \$(14.0) million, amortization of above/below market leases of \$0.1 million, amortization of deferred financing costs of \$(1.8) million and amortization of equity-based compensation of \$(5.2) million.
  - b. Nine months ended September 30, 2017 represents an adjustment to exclude depreciation and amortization of \$(39.5) million, amortization expense of capitalized above/below market leases of \$0.3 million, amortization of deferred financing costs of \$(2.3) million and amortization of equity-based compensation of \$(20.1) million. Nine months ended September 30, 2016 represents an adjustment to exclude depreciation and amortization of \$(51.3) million, amortization expense of capitalized above/below market leases of \$(2.2) million, amortization of deferred financing costs of \$(5.5) million and amortization of equity-based compensation of \$(12.2) million.
  - c. Three months ended September 30, 2017 CAD includes a \$0.2 million net gain related to the settlement of foreign currency derivatives. Three months ended September 30, 2016 CAD includes a \$0.1 million net gain related to the settlement of foreign currency derivatives.
  - d. Nine months ended September 30, 2017 CAD includes a \$1.7 million net gain related to the settlement of foreign currency derivatives. Nine months ended September 30, 2016 CAD includes a \$(1.1) million net loss related to the settlement of foreign currency derivatives.
  - e. Three months ended September 30, 2017 represents an adjustment to exclude \$(0.3) million of transaction costs and \$(0.1) million of taxes associated with the capital gain tax on the sale of real estate investments. Three months ended September 30, 2016 represents an adjustment to exclude \$(0.3) million of transaction costs and \$(4.3) million of taxes associated with the capital gain tax on the sale of real estate investments.
  - f. Nine months ended September 30, 2017 represents an adjustment to exclude \$(1.6) million of transaction costs relating to the Mergers and transaction fees related to our preferred equity investment and \$(0.9) million of payroll taxes associated with the acceleration of equity awards due to the Mergers. Nine months ended September 30, 2016 represents an adjustment to exclude \$(3.0) million of transaction costs and \$(4.3) million of taxes associated with the capital gain tax on the sale of real estate investments.
  - g. CAD per share is based on 55.8 million weighted average shares (common shares outstanding including operating partnership units and RSUs not subject to performance hurdles) for the the three and nine months ended September 30, 2017, respectively. Based on 60.5 million weighted average shares (common shares outstanding, including LTIPs and RSUs not subject to performance hurdles) for the three months ended September 30, 2016 and 61.0 million weighted average shares (common shares outstanding, including LTIPs and RSUs not subject to performance hurdles) for the nine months ended September 30, 2016 .
2. Financial Highlights - NOI
  - a. Three months ended September 30, 2017 primarily includes \$0.8 million of amortization of above/below market leases. Three months ended September 30, 2016 primarily includes \$(0.1) million of amortization of above/below market leases.
  - b. Nine months ended September 30, 2017 primarily includes \$0.3 million of amortization of above/below market leases. Nine months ended September 30, 2016 primarily includes \$(2.2) million of amortization of above/below market lease and \$(0.6) million of non-recurring bad debt expense.



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