



Three-Year Investment Strategy

29 November 2022

This document was prepared by AREIT Fund Managers, Inc. ("AFMI") for AREIT, Inc. ("AREIT" or the "Company") in compliance with the reportorial requirements of the REIT Implementing Rules & Regulations under Republic Act No. 9856.

Notice to Readers

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This document was prepared by AREIT Fund Managers, Inc. (“AFMI”) for AREIT, Inc. (“AREIT” or the “Company”) in compliance with the reportorial requirements of the REIT Implementing Rules and Regulations under Republic Act No. 9856, and is being submitted to the Securities and Exchange Commission (“SEC”) and the Philippine Stock Exchange (“PSE”).

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This document contains forward-looking statements and forward-looking financial information that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause the Company’s actual results, performance, or achievements to be materially different from any future results;
- performance or achievements expressed or implied by forward-looking statements;
- AREIT’s overall future business, financial condition, and results of operations, including, but not limited to, its financial position or cash flow;
- AREIT’s goals for or estimates of its future operational performance or results; and
- changes in the AREIT’s regulatory environment including, but not limited to, policies, decisions, and determinations of governmental or regulatory authorities.

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- any amendment of the REIT Law or of any other laws or regulations affecting AREIT;
- any unforeseen changes in the domestic, regional, or global economy that result in reduced occupancy or rental rates for AREIT’s properties;
- any fluctuations in the competitive landscape in the Philippine property market;
- any substantial change in the quality of AREIT’s tenants;
- any changes to available interest rates, inflation rates, and the value of the Peso against the U.S. dollar and other currencies;
- any material changes to any planned renovations or improvements to AREIT’s properties, resulting from market demands, financial conditions, and legal requirements, among others;
- the condition of and changes to the Philippines, ASEAN, or global economies;
- the general political, social, and economic conditions in the Philippines;

- any changes in government regulations, including tax laws, or licensing in the Philippines; and competition in the property investment and development industries in the Philippines; and
- any other matters not yet known to the Fund Manager or not currently considered material by the Fund Manager.

These forward-looking statements and forward-looking financial information speak only as of the date of this Investment Strategy.

In particular, in light of the ongoing COVID-19 pandemic and associated uncertainties in the global financial markets and their contagion effect on the real economy, any forward-looking statements and forward-looking financial information contained in this Investment Strategy must be considered with significant caution and reservation.

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This Investment Strategy includes statements regarding expectations and projections for future operating performance and business prospects.

In addition, all statements other than statements of historical facts included in this Investment Strategy are forward-looking statements. Statements in the Investment Strategy as to the opinions, beliefs, and intentions of AREIT accurately reflect in all material respects the opinions, beliefs, and intentions of its management as to such matters as of the date of this Investment Strategy, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the above cautionary statements.

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Overview

AREIT, Inc. (AREIT) was incorporated on 4 September 2006 as a real estate company. It was originally known as One Dela Rosa Property Development, Inc. before changing to its current name on 12 April 2019.

It is the first Real Estate Investment Trust (REIT) in the Philippines, formed primarily to own and invest in income-producing commercial portfolio of office, retail, and hotel properties in the country that meets its investment criteria. As a commercial REIT, AREIT will focus on expanding its office, shopping center, and hotel properties but may also explore other types of real estate properties available in the market as the opportunity arises.

It was publicly-listed on the Philippine Stock Exchange on 13 August 2020. At present, 39.42% of the Company is publicly- owned while its Sponsor, Ayala Land, Inc. (ALI) maintains a 60.58% stake. Post infusion of the Cebu office properties, ALI's equity stake will increase to 66.23%.

AREIT offers an investment opportunity with a stable yield, distributing at least 90% of its distributable income from high-quality properties with strong tenant demand in its portfolio. Furthermore, with strong sponsor support from ALI and its highly-experienced fund and property management companies, AREIT Fund Managers, Inc., (AFMI) and AREIT Property Managers, Inc., (APMI) respectively, it provides the potential for revenue and net operating income growth.

AREIT's principal investment strategy is to invest in income-generating real estate properties that meet a select set of criteria:

1. The property should be located in a prime area or business district in Metro Manila or in key provinces in the Philippines;
2. It should be primarily (but not exclusively) a commercial property. Other property types available in the market may also be considered as long as it is income-generating and provides attractive dividend yield;
3. The property must have stable occupancy, tenancy, and income from long term leases with strong, high-credit grade tenant locators;
4. It should provide attractive dividend growth and be yield accretive.

As of November 30, 2022, the Company's portfolio consists of thirteen (13) commercial properties that successfully meet its investment criteria.

1. **Solaris One** is a 24-storey Grade A, PEZA-accredited commercial building located at 130 Dela Rosa Street, Legaspi Village, Makati City, Philippines. It was previously named E-Services 3 Dela Rosa Building and was completed in 2008. It has a Gross Floor Area (GFA) of 73,322 sq.m. and a Gross Leasable Area (GLA) of 46,768 sq.m. The building is under a 33-year lease on a 3,612 sq.m. lot owned by the Sponsor, ALI.
2. **Ayala North Exchange** is a Grade A, mixed-use development located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Philippines and was fully completed in 2019. It has a GFA of 120,154 sq.m and a GLA of 95,300 sq.m. It consists of two (2) towers situated on top of a 7,542 sq.m. GLA, 3-storey retail podium. The first tower is a 30-storey building consisting of a 12-storey headquarter-type office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. Both office

towers are PEZA-accredited and LEED certified. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. Ayala North Exchange is under a 44-year lease on a 7,657sq. m. land which is owned by HLC Development Corp., a wholly-owned subsidiary of ALI.

3. **McKinley Exchange** is a 5-storey Grade A, PEZA-accredited commercial development located along McKinley Road corner EDSA in Makati and began operations in 2015. It has a GLA of 10,687 sq.m., of which, 9,633 sq.m. is designated for commercial office leasing. The building sits on a 4,513 sq.m. parcel under a 34-year land lease with ALI.
4. **Teleperformance Cebu** is a 12-storey Grade A office development located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City completed in 2010. It has a GLA of 18,092 sq.m. and consists of two (2) PEZA-accredited and LEED Gold Certified buildings fully occupied by TPPH – FHCS, Inc., more commonly known as Teleperformance, one of the largest players in the BPO industry. The office development is under a 42-year lease on a 3,621 sq.m. lot owned by ALI.
5. **The 30th Commercial Development** is a mixed-use complex with a total gross leasable area of 74,704 square meters composed of a 19-storey PEZA-accredited office tower with a gross leasable area of 47,871 square meters, and a 4-storey retail podium with a gross leasable area of 26,833 square meters, located in Meralco Avenue, Pasig City, Metro Manila, Philippines. Completed in 2017, the development sits on a 20,000 sq.m. parcel under a 36-year lease with MBS Development Corporation. The office tower currently has an average occupancy of 99% and is predominantly leased to BPOs, providing AREIT stable leasing income. The retail podium is operated by North Eastern Commercial Corp. (NECC), a wholly-owned subsidiary of ALI under the Ayala Malls brand. NECC pays a monthly guaranteed building lease to AREIT for a period of 36 years, in line with the land lease term of the property.
6. The **Laguna Technopark Property** consists of four land parcels with a total area of 98,179 sq.m. located in Laguna Technopark, a premiere PEZA-accredited industrial park spanning portions of Biñan and Santa Rosa in the province of Laguna. The four land parcels are under a long-term land lease with Integrated Micro-Electronics, Inc., a publicly-listed subsidiary of Ayala Corporation and a leading player in global technology and manufacturing solutions.
7. **Vertis North Commercial Development** is a mixed-use development located in North Avenue, North Triangle, Quezon City, consisting of three (3) office towers situated on top a four (4)-storey retail podium. All office towers are PEZA-accredited, designed for 24/7 operations, and are LEED-certified. The retail podium was completed in 2017, while the first two office towers and third office tower were completed in 2018 and 2019 respectively. The gross leasable area of the retail podium is 39,306 sq. m., while the office towers have a gross leasable area of 125,507 sq. m. The 19,988 sqm lot on which the Vertis North Commercial Development sits is under a 37-year land lease agreement with ALI.
8. **BPI-Philam Life Makati** is composed of three (3) office condominium units with a gross leasable area of 1,072 sq.m. located at the 19th floor, Ayala Life FGU Center, 6811 Ayala Avenue, Makati City. The land on which the building stands is owned by the Ayala Life FGU Center Condominium Corporation.

9. **BPI-Philam Life Alabang** consists of six (6) office condominium units with total leasable area of 551 sq. m. located at the 7th floor of BPI-Philam Life Alabang, Alabang-Zapote Road corner Acacia Avenue, Madrigal Business Park, Muntinlupa City. The land on which the building stands is owned by the Ayala Life-FGU Center Alabang Condominium Corporation.
10. **Bacolod Capitol Corporate Center** is a seven (7)-storey PEZA-accredited BPO building designed for 24/7 operations, with a gross leasable area of 11,313 sq. m. The land on which Bacolod Capitol Corporate Center stands is owned by the Province of Negros Occidental, and is leased by AREIT from the Province of Negros Occidental with a remaining term of 39 years.
11. **Ayala Northpoint Technohub** is a two (2)-storey PEZA-accredited BPO office facility designed for 24/7 operations with a gross leasable area of 4,653 sq.m., The site is located at The District North Point, Barangay Zone 15, Talisay City, Negros Occidental. and is under a land lease agreement with ALI with a remaining term of 36 years.
12. **One Evotech** is a four (4)-storey PEZA-accredited, LEED Silver Certified, campus type, BPO office designed for 24/7 operations, with a gross leasable area of 12,049 sq. m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT with a remaining term of 36 years.
13. **Two Evotech** is a 5-storey PEZA-accredited, BPO office designed for 24/7 operations, with with a gross leasable area of 11,675 sq.m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT for a remaining term of 36 years.

AREIT's Three (3)-Year Investment Strategy

Consistent with the REIT Plan, AREIT's principal investment strategy is to invest in income-generating real estate that meet a select set of criteria. Following the requirements of the REIT Law, AREIT and AFMI will seek to secure growing income that provides a competitive investment return to investors. Further to this, AFMI intends to maximize the investment returns by increasing the gross revenues and the net operating income of the properties over time through active management.

The Fund Manager, AFMI, plans to achieve this investment strategy through the following strategies:

- **Pro-active asset management and enhancement strategy.** AFMI will actively manage AREIT's property portfolio to achieve growth in revenue and net operating income and maintain optimal occupancy levels. AFMI and APMI will help drive organic growth, build strong relationships with the tenants of the properties, and explore enhancement and growth opportunities within the existing properties.
- **Investment and acquisition strategy.** AFMI will acquire quality income-producing commercial properties situated in high-growth areas that fit the investment criteria to enhance returns for investors and increase potential opportunities for future income and capital growth.
- **Capital and risk management strategy.** AFMI will manage and source capital to maximize overall returns. This may include accessing the capital markets to source appropriately priced and structured debt and equity offerings, monitor and implement hedging arrangements and assess

alternative forms of capital and other capital management strategies where appropriate. AFMI may use financial instruments such as interest rate swaps to hedge certain financial risk exposures.

Investment Objectives

1. **Maintain AREIT's leadership in the Philippine REIT sector in terms of asset size and market capitalization.** In 2020, AREIT set a growth target to double its Assets Under Management (AUM) from Php 30 billion to Php 60 billion two years from its IPO. To date, the company has 53 billion in AUM and post infusion of the Cebu assets via property for shares swap, it is projected to increase its portfolio to 673 thousand square meters and reach Php 64 billion upon approval of the asset for shares swap by the Securities & Exchange Commission. Beyond 2022, AREIT plans to continue to grow its portfolio of assets at an average of 100,000 sq. m of gross leasable area every year from 2023 to 2025 and thereby increase its assets under management at approximately Php10 billion to 15 billion annually.
2. **Grow and diversify AREIT's asset portfolio in terms of sector, location and income contribution, funded through leverage and/or equity.** The company will continue to demonstrate yield accretive acquisitions and ensure borrowings are within the aggregate maximum leverage limit of 35% of deposited property value. It will continue to expand its portfolio of quality commercial assets, but will also diversify into other asset classes, such as shopping malls, given the recovery and reopening of the economy.
3. **Achieve 10 to 12% total shareholder return through organic growth and new acquisitions.**
4. Targeted total shareholder return of at least 10% will be achieved from 3% to 5% rental escalations from operating assets and additional dividends generated from new assets to be acquired from 2023 to 2025.

Investment Criteria

AREIT's principal investment strategy is to invest in income-generating real estate. A core tenet of AREIT's investment policy is to capitalize on properties that meet a select set of criteria designed to provide competitive returns to its investors. These are the following:

1. **High quality, Grade A commercial assets in prime locations, including freehold, logistics/industrial properties.** These are properties that are strategically located in central business districts, with convenient access to public transportation. The grade A classification of buildings is determined based on industry criteria and is often in high-demand due to its location, facilities, layout and finishing among other factors. While focus will continue to be on the resilient office sector, AREIT will consider acquiring freehold and other asset classes such as the malls, logistics and industrial properties to diversify investor risk.
2. **Stable occupancy with long term leases.** AREIT's future acquisitions will ensure its very stable cashflow profile is preserved from long-term leases and minimal expiries in the next 3 years. Typical office lease terms are fixed for a period of five to ten years and renewable for another five to ten years.

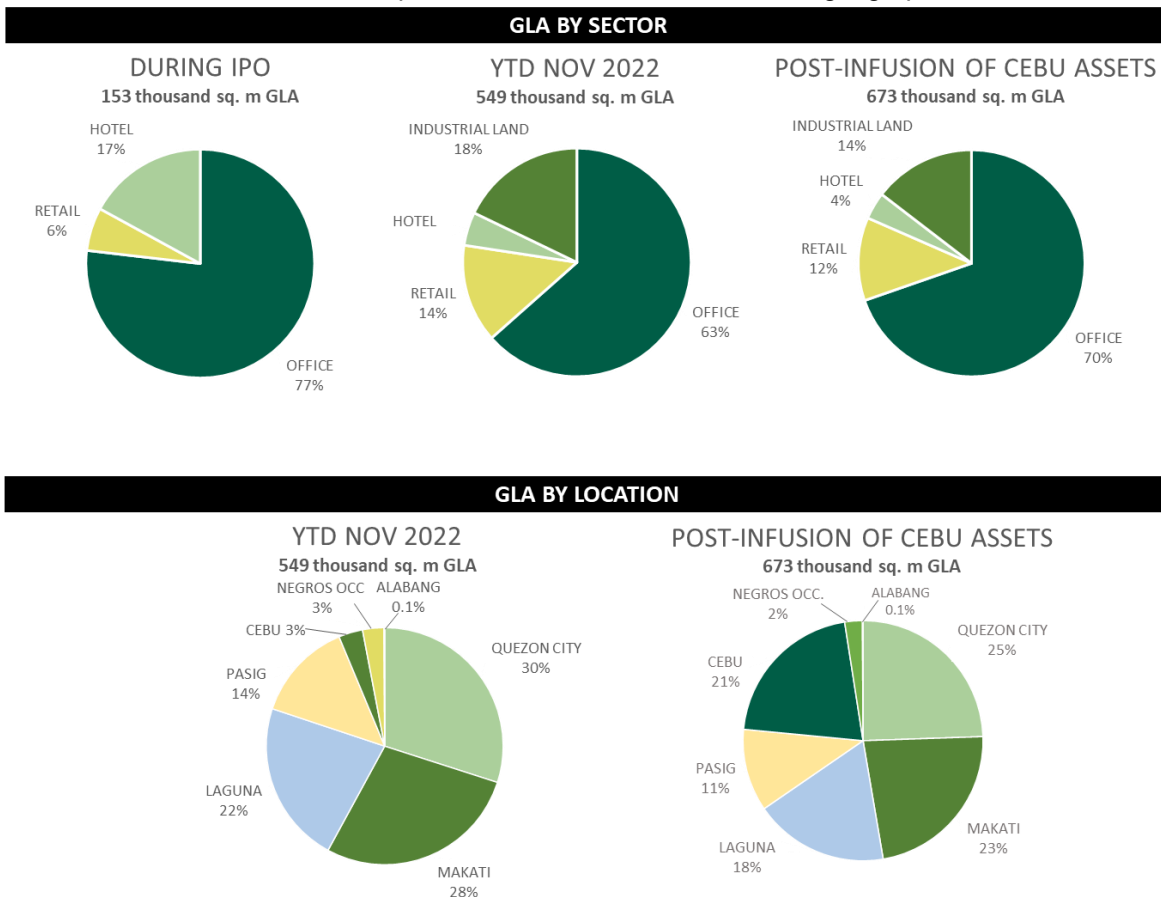
- Strong, high-credit grade tenant locators.** Stable income and cashflows will be derived from AREIT's solid tenant mix of top multinational and local BPO and traditional headquarter office locators.
- Attractive growth and dividend accretive through contracted rental escalations and potential acquisitions.** Organic growth can be achieved through annual rental escalations at a range of three to five percent from contracted leases. AREIT's capacity to leverage up to 35% of its deposited property value will result to yield accretive acquisitions.

Performance Metrics

In line with AREIT's investment fundamentals of: (1) High quality Grade A Commercial Assets and Land in Prime Locations, (2) Stable Occupancy with Long Term Leases, (3) Strong, Quality Tenancy, and (4) Attractive Growth and Dividend Accretion, following are the estimated overall performance metrics of AREIT's assets:

- High Quality Grade A Commercial Assets and Land in Prime Locations.** With the assets acquired in 2021 and the additional assets in Cebu to be infused via property for shares swap, the office sector continues to drive AREIT's income contributing 90% of its rental income as of YTD November 30, 2022. The expansion to other central business districts and prime key growth areas across the Philippines has enabled AREIT to diversify geographically.

Chart 1. AREIT's asset portfolio in terms of asset class and geographic location



2. **Stable Occupancy with Long Term Leases.** Average occupancy of AREIT leases remains high at 97% with minimal lease expiries until 2024.

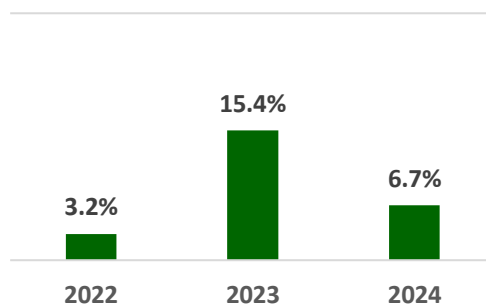
Table 1. Occupancy Rate

Property	Occupancy Rate
Ayala North Exchange	99%
McKinley Exchange	99%
Solaris One	98%
Teleperformance Cebu	100%
The 30th	92%
Laguna Technopark Land	100%
Vertis	96%
Bacolod Capitol Corporate Center	100%
Ayala Northpoint Technohub	100%
One & Two Evotech	99%
BPI Philam Life Makati & Alabang	34%
Total	97%

Table 2. Weighted Average Lease Expiration (WALE) per Sector as of November 30, 2022

Property	WALE (years)
Office	3.0
Retail	29.9
Hotel	35.6
Industrial Land	5.1
Overall	8.7

Chart 2. Percentage of total GLA expiring between 2022-2024



3. **Strong and Quality Tenant Locators.** With the addition of Vertis North Commercial Development, BPI-Philam Life Makati and Alabang, Bacolod Capitol Corporate Center, Ayala Northpoint Technohub and One and Two Evotech, AREIT continues to derive recurring income from its solid base of high credit grade office tenants composed of top multinational and local companies. The table below shows the top ten largest tenants of AREIT in terms of gross leasable area.

Rank	Locator	Total GLA (sq. m)	%
1	Integrated Microelectronics, Inc. ¹	98,179	18%
2	North Eastern Commercial Corporation (Ayala Malls The 30 th and Vertis Mall) ²	66,139	12%
3	Google Services Philippines, Inc.	42,352	8%
4	TPPH-FHCS, Inc.	38,154	7%
5	Concentrix CVG Philippines, Inc.	33,537	6%
6	Shell Shared Services (Asia), B.V.	33,073	6%
7	Telus International (Philippines), Inc.	31,134	6%
8	Makati North Hotel Ventures, Inc. (Seda Residences Makati) ³	26,034	5%
9	PriceWaterhouseCoopers Service Delivery Centre (Manila) Limited	14,011	3%
10	Global Payments Process Centre, Inc.	13,683	2%

⁽¹⁾ Subsidiary of Ayala Corporation

⁽²⁾ Subsidiary of Ayala Land, Inc.

⁽³⁾ Subsidiary of Ayala Hotels and Resorts Corporation

4. **Attractive Growth and Dividend Accretion.** The table below shows 2022 dividend growth based on the IPO share price of Php 27.00.

	Q1 – Q4 2021	Q1 – Q3 2022
Dividends per share	₱ 1.77	₱ 1.46
Price per share as of end of period	₱ 48.60	₱ 34.00
Annualized dividend yield based on closing price	3.64%	5.73%
Price growth based on IPO price per share of ₱ 27.00	80.00%	25.93%
Total shareholder return since IPO	91.44%	42.78%
REIT Benchmarks		
Ten-year BVAL as of end of period	4.82%	7.04%
Dividend yield of Asia Pacific REITs	5.28% ¹	6.28% ¹
Total/Gross return of Asia Pacific REITs	10.21% ²	-26.34% ³ to -21.78 ⁴

(1) Dividend yield of FTSE EPRA Nareit Asia ex Japan REITs 10% Capped USD Index (“Index”) from FTSE EPRA Nareit Asia ex Japan REITs Index as of December 31, 2021 and September 30, 2022. The Index has been designed to represent the performance of REITs from China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand. AREIT became a constituent of the FTSE EPRA Nareit Asia ex Japan REITs 10% Capped Index effective Sept. 20, 2021.

(2) Calendar year total return per S&P Dow Jones Indices - Asia Pacific REIT (USD). The S&P Asia Pacific REIT (USD) is designed to measure publicly traded equity real estate investment trusts (REITs) domiciled in the developed Asia Pacific market. The index includes eligible publicly traded REITs from Australia, Hong Kong, Japan, New Zealand, Singapore, and South Korea.

(3) YTD Total return of S&P Dow Jones Indices - Asia Pacific REIT (USD) as of October 31, 2022.

(4) YTD Gross returns of MSCI AC Asia ex Japan REITs Index (USD) as of October 31, 2022. The MSCI AC Asia ex Japan REIT Index is a free float-adjusted market capitalization index that captures large and mid cap representation across two or three Developed Markets countries (Hong Kong and Singapore) and nine Emerging Markets countries (China, India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Taiwan, and Thailand). All securities in the index are classified in the Equity REITs Industry (under the Real Estate sector) according to the Global Industry Classification Standard (GICS®).

Asset Acquisitions

All potential properties for acquisition will be identified and disclosed in the future after the submission of this Investment Strategy. It will be a combination of properties and assets owned by ALI and third parties.

Financing Strategy

Overall, AREIT intends to fund future acquisitions through a combination of debt and equity. At current gearing ratio of 6% of deposited property value, AREIT has the opportunity to borrow up to 35% of its deposited property value and further demonstrate yield accretive acquisitions. The Company is looking at a combination of debt and equity funding in the next three years and optimize the leverage limit of up to 30% of deposited property value, subject to market conditions as it further increases its asset portfolio.

SIGNATURE

In compliance with the reportorial requirements of the REIT Implementing Rules & Regulations under Republic Act No. 9856, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **AREIT, Inc.**



By : **Patricia Gail Y. Samaniego**
President
AREIT Fund Managers, Inc.

Date : 29 November 2022