



Performance Report for the Second Quarter of 2022

August 12, 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.



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I. FINANCIAL PERFORMANCE

Driven by the property-for-shares swap which started contributing to AREIT's income in the fourth quarter of 2021 and contracted rental escalations, AREIT recorded revenues of ₱2.36 billion, 67% higher than first half of last year. EBITDA grew by 62% to ₱1.70 billion driven by the acquisitions and tight control over operating expenses. Factoring out the fair value adjustment and one time gain on finance lease, net income after tax registered at ₱1.61 billion, 64% higher than first half of 2021.

A. Statement of Comprehensive Income for the Period Ended June 30, 2022 (In Pesos, Millions)

	Total	Breakdown per property											
		Solaris	Ayala	MECC	TP	The	Laguna	Vertis	BPI-	BPI-	Bacolod	Ayala	Evotech
		North	North		Cebu	30th	Tech		Philam	Philam	Capitol	North	
		Exchang				Land			Makati	Alabang		point	
Rental income	1,742.6	288.5	369.0	55.7	83.0	184.4	39.0	572.9	5.3	2.6	33.8	12.4	96.0
Dues	511.5	108.9	84.5	13.6	20.8	52.9	0.0	163.3	1.9	1.3	10.1	2.9	51.3
Interest income from finance lease receivables	110.2	0.0	74.0	0.0	0.0	14.3	0.0	22.0	0.0	0.0	0.0	0.0	0.0
Revenue	2,364.4	397.4	527.5	69.4	103.8	251.6	39.0	758.2	7.2	3.9	43.9	15.3	147.3
Direct operating expenses	(442.3)	(54.4)	(118.7)	(6.8)	(18.1)	(72.6)	(0.4)	(141.1)	(1.3)	(0.6)	(9.2)	(4.9)	(14.0)
Fund management fees	(92.2)	(18.3)	(22.2)	(2.1)	(4.8)	(8.4)	(0.5)	(27.5)	(0.3)	(0.1)	(1.6)	(0.5)	(5.7)
Property management fees	(92.2)	(15.8)	(22.5)	(2.4)	(4.4)	(8.9)	(1.2)	(28.9)	(0.3)	(0.1)	(1.7)	(0.6)	(5.4)
Cost and expenses	(626.7)	(88.5)	(163.5)	(11.4)	(27.3)	(89.9)	(2.1)	(197.6)	(1.9)	(0.9)	(12.5)	(6.0)	(25.1)
Net operating income	1,737.7	308.9	364.1	58.0	76.5	161.7	36.8	560.5	5.2	3.0	31.3	9.3	122.3
General and administrative expenses	(38.2)												
Earnings before interest, taxes, depreciation and amortization	1,699.4												
Depreciation	(0.0)												
Gain under finance lease	0.0												
Interest income	12.7												
Interest expense	(106.8)												
Unrealized gain from fair value adjustment	16.5												
Other income (expenses)	3.7												
Other income (charges) - net	(73.9)												
Income before tax	1,625.5												
Provision for income tax	(0.0)												
Net Income After Tax (NIAT)	1,625.5												
Other comprehensive income	0.0												
Total comprehensive income	1,625.5												
Distributable income	1,608.9												

B. Income from Related Parties for the Period Ended June 30, 2022 *(In Pesos, Millions)*

Related Parties	Total		Solaris	Ayala North Exchange	The30th	Laguna Technopark Land	Vertis	BPI-Philam Alabang	Evotech
	%	Amount							
Rental income									
Alveo Land Corporation	0.14%	2.5	2.5	-	-	-	-	-	-
Amaia Land Corp.	0.14%	2.6	-	-	-	-	-	2.6	-
Avida Land Corp.	0.03%	0.6	-	-	-	-	-	-	0.6
Bank of the Philippine Islands	3.96%	73.3	1.2	59.0	-	-	12.7	-	0.4
BPI Capital Corporation	0.36%	6.6	-	6.6	-	-	-	-	-
BPI Securities Corporation	0.22%	4.1	-	4.1	-	-	-	-	-
First Gateway Real Estate Corporation	0.30%	5.6	-	5.6	-	-	-	-	-
Integrated Microelectronics, Inc.	2.10%	39.0	-	-	-	39.0	-	-	-
North Eastern Commercial Corporation	0.36%	6.6	-	-	3.9	-	2.7	-	-
Interest income from finance lease receivables									
Makati North Hotel Ventures, Inc.	3.99%	74.0	-	74.0	-	-	-	-	-
North Eastern Commercial Corporation	1.96%	36.2	-	-	14.3	-	22.0	-	-
Total rental income and interest income from finance lease receivables	13.56%	251.2	3.8	149.4	18.2	39.0	37.4	2.6	0.9

C. Statement of Cash Flows for the Period Ended June 30, 2022 *(In Pesos, Millions)*

CASH FLOWS FROM OPERATING ACTIVITIES	
Income before income tax	1,625.48
Adjustments for:	
Net fair value change in investment properties	(16.54)
Depreciation and amortization	0.04
Interest expense	106.75
Gain under finance lease	-
Interest income from finance lease receivables	(110.25)
Interest income	(12.65)
Operating income before working capital changes	1,592.84
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Receivables	170.35
Other assets	(256.19)
Increase (decrease) in:	
Accounts and other payables	367.04
Deposits and other liabilities	(31.66)
Construction bonds	5.97
Cash generated from (used in) operations	1,848.35
Interest received	122.90
Interest paid	(52.44)
Income tax paid	(0.03)
Net cash flows provided by (used in) operating activities	1,918.78
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease (increase) in due from related parties	(181.50)
Payments for additions to investment properties	(36.00)
Payments for additions to property and equipment	-
Net cash flows provided by (used in) investing activities	(217.50)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments of dividends	(1,433.47)
Availment (repayment) of loans	(300.00)
Payments of principal portion of lease liability	-
Net cash flows provided by (used in) financing activities	(1,733.47)
NET INCREASE (DECREASE) IN CASH	(32.18)
CASH AT BEGINNING OF PERIOD	92.01
CASH AT END OF YEAR	59.83

D. Adjusted Funds from Operations for the Period Ended June 30, 2022 *(In Pesos, Millions)*

	Total
Net income after tax	1,625.45
Add back: Depreciation	0.04
PAS adjustment	16.54
Deduct: CAPEX	(48.32)
Gain on change in fair value of investment properties	(16.54)
Adjusted Funds from Operations	1,577.16

E. Operating Statistics as of June 30, 2022

Overall						
Property	Location	Total gross leasable area (GLA) in sq. m	Occupied GLA, in sq. m	Occupancy rate	Revenue Contribution in Q2 2022	Cost contribution in Q2 2022
Solaris	Makati	46,768	45,740	98%	16.8%	14.1%
Ayala North Exchange	Makati	95,300	92,622	97%	22.3%	26.1%
MECC	Makati	10,688	10,593	99%	2.9%	1.8%
TP Cebu	Cebu	18,093	18,093	100%	4.4%	4.4%
The30th	Pasig	74,704	69,080	92%	10.6%	14.3%
Laguna Technopark Land	Laguna	98,179	98,179	100%	1.6%	0.0%
Vertis	Quezon City	164,628	157,218	95%	32.1%	31.5%
BPI-Philam Makati	Makati	1,072	230	21%	0.3%	0.3%
BPI-Philam Alabang	Muntinlupa	551	551	100%	0.2%	0.1%
Bacolod Capitol	Negros Occidental	11,313	11,313	100%	1.9%	2.0%
Ayala Northpoint	Negros Occidental	4,654	4,654	100%	0.6%	1.0%
Evotech	Laguna	23,727	23,036	97%	6.2%	4.0%
Office						
Property	Total GLA, in sq. m	Occupied GLA, in sq. m	Occupancy rate	Average rent per sq. m per month	Average rent income growth (vs YTD Jun 2021) ²	
Solaris	46,027	44,999	98%	999	3%	
Ayala North Exchange	61,724	60,364	98%	1,003	4%	
MECC	9,633	9,633	100%	942	8%	
TP Cebu	17,682	17,682	100%	662	1%	
The30th	47,871	42,246	88%	764	7%	
Vertis	125,322	117,913	94%	711	N/A	
BPI-Philam Makati	1,072	230	21%	1,136	N/A	
BPI-Philam Alabang	551	551	100%	690	N/A	
Bacolod Capitol	11,313	11,313	100%	500	N/A	
Ayala Northpoint	4,654	4,654	100%	451	N/A	
Evotech	23,058	22,678	98%	647	N/A	

⁽¹⁾ Contribution of each property to the overall cost. Cost consists of land lease, taxes and licenses, fund and property management fees, and depreciation.

⁽²⁾ Income from the assets infused via property-for-share swap accrued to AREIT beginning October 1, 2021. The swap covers Vertis North Commercial Development (Vertis), BPI-Philam Makati, BPI-Philam Alabang, Bacolod Capitol Corporate Center (Bacolod Capitol), Ayala Northpoint Technohub (Ayala Northpoint), and One Evotech and Two Evotech (collectively called Evotech) buildings.

F. Office Industry Benchmarks

All AREIT properties perform better than industry average in terms of occupancy rate. Average office rent per square meter and rental escalations are also at par with industry.

	Makati	Cebu	Pasig/ Ortigas CBD	Quezon City	Muntinlupa	Laguna	Bacolod
Occupancy rate	92%	75%	87%	81%	84%	74%	84%
Ave. rent/sq. m ¹	₱ 700-1,100	₱ 500-700	₱ 575-800	₱ 500-700	₱ 550-750	₱ 500-700	₱ 350-600

⁽¹⁾ Pre-pandemic, annual rental growth in the market observed at average of 5-7% (YOY 2017-2019). Recently closed transactions at 2-3% escalation and/or delayed escalations to Year 3 or 4.

Sources:

- Colliers Philippines Research. Q2 2022 Property Market Briefing.
- Colliers Philippines Research. VisMin Property Market Briefing – Office Sector, Mar. 3, 2022

G. Current Valuation of the AREIT Properties

The valuation of the AREIT properties is aligned with the appraisal reports issued by Asian Appraisal Company, Inc. (“Asian Appraisal”). Asian Appraisal used the Discounted Cashflows (“DCF”) Approach or Income Approach as the primary method to estimate the fair value of the buildings. Under the DCF approach, the future cashflows of the properties were discounted based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model.

The Market Approach was used for the Laguna Technopark Land where the property’s value was estimated based on actual market transactions and current listings within the area at the time of the appraisal.

Property	Type	Valuation cost (in Pesos, millions)	Valuation Date	Valuation Method
Solaris	Building	12,170	June 2021	Income Approach
Ayala North Exchange ¹	Building	13,656	June 2021	Income Approach
MECC	Building	1,940	June 2021	Income Approach
TP Cebu	Building	2,599	Dec 2021	Income Approach
The30th ¹	Building	4,643	June 2021	Income Approach
Laguna Technopark Land	Land	1,087	June 2021	Market Approach
Vertis ¹	Building	11,978	June 2021	Income Approach
BPI-Philam Makati	Building	236	June 2021	Income Approach
BPI-Philam Alabang	Building	63	June 2021	Income Approach
Bacolod Capitol	Building	893	June 2021	Income Approach
Ayala Northpoint	Building	297	June 2021	Income Approach
Evotech	Building	1,999	June 2021	Income Approach

⁽¹⁾ Does not include portion of ANE Seda, The 30th Mall and Vertis Mall which are accounted for under finance lease

H. Asset Value, Price per Share and Total Capitalization as of June 30, 2022

	Total value In thousands	Value per share
Book value	₱ 49,080	₱ 32.53
Net asset value	₱ 51,951	₱ 34.43
Market capitalization	₱ 52,661	₱ 34.90

I. Performance Indicators as of June 30, 2022

Current ratio ¹	0.78:1
Net debt-to-equity ratio ²	0:07:1
Profitability Ratios:	
Return on assets ³	6%
Return on equity ⁴	7%
Asset to Equity ratio ⁵	1.16:1
Market-to-book ratio ⁶	1.07:1

Net debt-to-equity ratio as of June 30, 2022 is 0.07:1. The availment of loan and issuance of bond to partially fund the acquisition of The 30th and Laguna Technopark lots with outstanding balance of ₱ 3.56 billion as of June 30, 2022 resulted in interest expense of ₱ 52.43 million for YTD June 30, 2022.

- (1) Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our ability to pay short-term obligations.
- (2) Net debt to equity ratio is derived by dividing our total loans and borrowings less cash by total equity.
- (3) Return on assets is derived by annualized net income by total assets
- (4) Return on equity is derived by dividing annualized net income by average shareholders' equity. Return on equity measures how profitable we are at generating profit from each unit of shareholder equity.
- (5) Asset to equity ratio is derived by dividing total assets by shareholders' equity. Asset to equity ratio measures our financial leverage and long-term solvency.
- (6) Market-to-book ratio is derived by dividing the market capitalization or the stock's closing price by the book value. Market-to-book ratio measures the market's valuation of our company relative to our book value.

J. Investment Return

On August 12, 2022, the Board of Directors declared cash dividends of ₱ 0.49 per outstanding common share for the second quarter of 2022. The cash dividends will be payable on September 9, 2022 to stockholders on record as of August 26, 2022. To date, the total shareholder return is 44.30% based on IPO price per share of ₱ 27.00.

1H 2022 Dividends per share	₱ 0.97
Price per share as of June 30, 2022	₱ 34.90
Annualized dividend yield based on closing price as of June 30, 2022	5.56%
Price growth based on IPO price per share of ₱ 27.00	29.26%
Total return since IPO	44.30%
REIT Benchmarks	
Ten-year BVAL as of end of period	7.04%
Dividend yield of Asia Pacific REITs	5.58% ¹

Source:

- (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 FactSheet as of June 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.

The Company's dividends per share for the 1H 2022 is 12.8% higher than 1H 2021. Apart from rental escalations, this growth is attributable to the income contribution of assets infused in Q4 2021 via property-for-share swap which was approved by the SEC on October 7, 2021. These assets include Vertis North Commercial Development (Vertis), BPI-Philam Makati, BPI-Philam Alabang, Bacolod Capitol Corporate Center (Bacolod Capitol), Ayala Northpoint Technohub (Ayala Northpoint), and One Evotech and Two Evotech.



	1H 2021	1H 2022
Dividends per share	₱ 0.86	₱ 0.97
1H 2021 vs 1H 2022		12.8%

Computation of the distributable income of the Company for the first half of 2022 is shown below.

(In Millions):

Net income	₱ 1,625.45
Less: Unrealized gain on fair value change in investment properties	(16.54)
Distributable income	₱ 1,608.91

II. PERFORMANCE METRICS

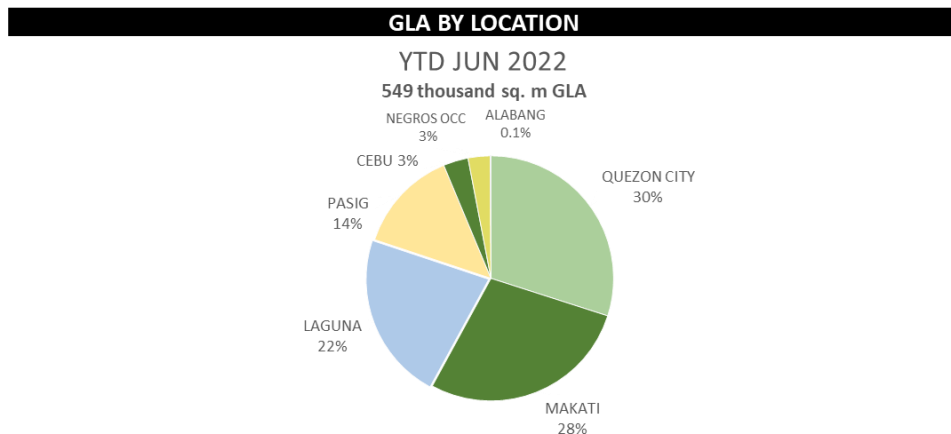
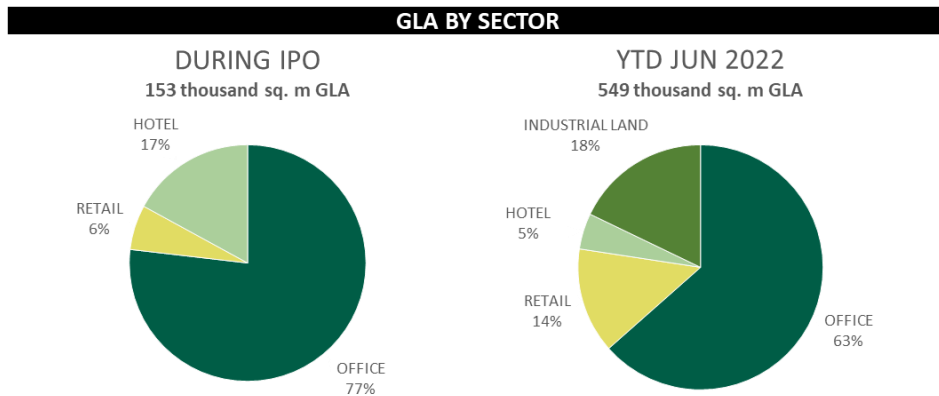
Performance Highlights

AREIT, since its listing last August 2020, consistently adhered to its four investment fundamentals: prime location and quality of assets, stable occupancy with long term contracts from top BPO and corporate locators, inflation-hedged growth and new asset infusions, and execution by an experienced management team backed by the strength of its sponsor Ayala Land.

Total portfolio size of 549 thousand sq. m is now 3.6 times larger than its initial size of only 153 thousand sq. m during the IPO. The property-for-share swap transaction approved by the SEC on October 7, 2021 added 205 thousand sq.m of GLA to AREIT’s portfolio of quality commercial assets. The assets include Vertis North Commercial Development (Vertis), BPI-Philam Makati, BPI-Philam Alabang, Bacolod Capitol Corporate Center (Bacolod Capitol), Ayala Northpoint Technohub (Ayala Northpoint), and One Evotech and Two Evotech (collectively called Evotech) buildings. All properties are in prime locations and have good operating track record, high occupancy and contracted long term leases with high credit grade tenants.

Diversified Asset Portfolio in Prime Locations

From its initial portfolio of 153 thousand sq. m gross leasable area (GLA) during IPO, AREIT’s portfolio diversified and grew to 549 thousand sq. m GLA as of end 2021 with the office sector comprising 63% of its total GLA. AREIT’s properties are now located in several central business districts and prime locations across the Philippines.



AREIT’s total GLA during IPO was 153 thousand sq. m. All IPO assets are located in Makati.

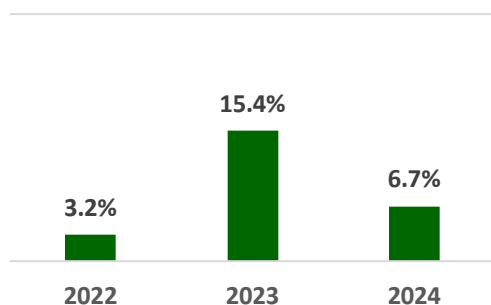
Stable Occupancy and Tenancy

AREIT's consistent and solid operations in the first half resulted in an average occupancy of 97%. Stable recurring income is ensured with AREIT's contracted leases and Weighted Average Lease Expiry of AREIT's portfolio of 9.1 years and 3.3 years for offices. Lease expiries are also minimal in the next three years.

Weighted Average Lease Expiry (WALE)

Property	WALE (years)
Office	3.6
Retail	30.4
Hotel	36.0
Industrial Land	5.5
Overall	9.1

Percentage of GLA expiring between 2022-2024



Strong Tenancy of High Credit Grade Locators

AREIT continues to derive recurring income from its solid base of high credit grade 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	Tenant	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	Global Payments Process Centre, Inc.	13,683	2%
10	Techlog Center Philippines	11,675	2%
Total GLA		393,960	72%

⁽¹⁾ Subsidiary of Ayala Corporation

⁽²⁾ Subsidiary of Ayala Land, Inc.

⁽³⁾ Subsidiary of Ayala Hotels and Resorts Corporation

CERTIFICATION

This PERFORMANCE REPORT was prepared and assembled under our supervision in accordance with existing rules of the Securities and Exchange Commission. The information and data provided herein are complete, true, and correct to the best of our knowledge and/or based on authentic records.

By:

AREIT FUND MANAGERS, INC.
Fund Manager for AREIT, Inc.

ps samaniego

PATRICIA GAIL Y. SAMANIEGO
Attorney-in-Fact

biancabcatolico

BIANCA CAMILLE B. CATOLICO
Attorney-in-Fact

SUBSCRIBED AND SWORN to before me this AUG 09, 2022 day of August 2022 at Makati City, with the affiant/s exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AREIT FUND MANAGERS, INC. <i>Represented by:</i>	TIN: 007-888-715-000	
Patricia Gail Y. Samaniego	Passport No. P4748326B	8 Feb 2020/DFA NCR South
Bianca Camille B. Catolico	Passport No. P7463723B	25 Aug 2021/DFA NCR East

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Book No. 1 :
Series of 2022.

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Venus B. Ambrona

VENUS B. AMBRONA
Notary Public - Makati City
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