



Performance Report for the First Quarter of 2021

15 May 2021

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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FINANCIAL PERFORMANCE FOR THE QUARTERLY PERIOD ENDED 31 MARCH 2021

A. Interim Statement of Comprehensive Income for the First Quarter of 2021

<i>In Pesos, Thousands</i>	Total	Breakdown per property					
		Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land
Rental income	541,194	144,648	194,122	27,397	41,798	114,673	18,556
Dues	101,193	46,772	19,408	4,499	9,972	20,541	0
Interest income from finance lease receivables ¹	37,328	0	37,328	0	0	0	0
Revenue	679,715	191,421	250,858	31,896	51,770	135,214	18,556
Direct operating expenses	82,809	19,294	46,237	519	2,245	14,311	203
Fund management fees	28,152	9,369	10,748	1,143	2,487	4,135	269
Property management fees	27,490	7,871	11,173	1,172	2,126	4,592	557
Cost and expenses	138,451	36,534	68,158	2,834	6,858	23,038	1,029
Net operating income	541,264	154,887	182,701	29,062	44,912	112,177	17,527
General and administrative expenses	11,402						
Earnings before interest, taxes, depreciation and amortization	529,863						
Depreciation	98,669	11,377	36,271	6,021	12,503	32,496	0
Interest income	2,585						
Interest expense	(30,968)						
Other income	0						
Other income (charges) - net	(28,383)						
Income before tax	402,810						
Provision for income tax	17						
Net Income	402,793						
Other comprehensive income	0						
Total comprehensive income	402,793						
Distributable income	402,793						
Basic/Diluted earnings per share	0.39						

⁽¹⁾ Interest income from finance lease is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with AREIT, which commenced in September 2019.



B. Income from Related Parties for the First Quarter of 2021

In Pesos, Thousands

	Total	Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land
Rental income							
Alveo Land Corporation	400	400					
Bank of the Philippine Islands	28,859	576	28,283				
BPI Capital Corporation	3,104		3,104				
BPI Securities Corporation	1,940		1,940				
First Gateway Real Estate Corporation	2,618		2,618				
Integrated Microelectronics, Inc.	18,556						18,556
North Eastern Commercial Corporation	7,783					7,783	
Interest income from finance lease receivables							
Makati North Hotel Ventures, Inc.	37,328		37,328				
Total income from related parties	100,588	976	73,273	0	0	7,783	18,556
<i>% of income from related parties to total rental income and interest income from finance lease</i>	<i>17%</i>	<i>1%</i>	<i>32%</i>	<i>0%</i>	<i>0%</i>	<i>7%</i>	<i>100%</i>

C. Interim Statement of Cash Flows for the Three Months Ended 31 March 2021

Cash flows from operating activities	
Income before income tax	₱ 402,810,345
Adjustments for:	
Depreciation	98,669,275
Interest expense	14,017,124
Interest income from finance lease receivables	(37,328,193)
Interest income	(84,768)
Operating income before working capital changes	478,083,783
Changes in operating assets and liabilities:	
Decrease (Increase) in:	
Receivables	(45,855,790)
Other assets	(798,379,600)
Increase (decrease) in:	
Accounts and other payables	184,987,202
Deposits and other liabilities	241,436,913
Construction bonds	-
Cash generated from (used in) operations	60,272,508
Interest received	84,768
Income tax paid	(16,955)
Net cash flows provided by (used in) operating activities	60,340,321
Cash flows from investing activities	
Payments for additions to investment properties	(5,625,015,282)
Decrease (increase) in due from related parties	1,593,900,000
Net cash flows provided by (used in) investing activities	(4,031,115,282)
Cash flows from financing activities	
Availment of loan	4,450,500,000
Dividends paid	(400,006,009)
Net cash flows provided by (used in) financing activities	4,050,493,991
Net increase in cash	79,719,030
Cash at beginning of period	58,977,547
Cash at end of period	₱ 138,696,577

D. Adjusted Funds from Operations for the Three Months Ended 31 March 2021

	Total
Total comprehensive income	₱ 402,793,392
Add back: Depreciation	98,669,275
Add/Deduct: PAS adjustment	(8,214,216)
Deduct: CAPEX	(23,197,137)
Adjusted Funds from Operations	₱ 470,051,314

E. Operating Statistics as of 31 March 2021

	Solaris	Ayala North Exchange	MECC	TP Cebu	The 30th	Laguna Technopark Land
Location	Makati	Makati	Makati	Cebu	Pasig	Laguna
Overall						
Total gross leasable area (GLA)	46,768	95,300	10,688	18,093	74,704	98,179
Occupied GLA	46,763	93,566	10,593	18,093	74,147	98,179
Occupancy rate	100%	98%	99%	100%	99%	100%
Revenue contribution in Q1 2021	28%	37%	5%	8%	20%	3%
Cost contribution in Q1 2021 ²	20%	44%	4%	8%	24%	0.1%
Office						
Total GLA	46,027	61,724	9,633	17,682	47,871	N/A
Occupied GLA	46,022	61,724	9,633	17,682	47,313	N/A
Occupancy rate	100%	100%	100%	100%	99%	N/A
Average rent per sq. m	₱ 960	₱ 959	₱ 872	₱ 643	₱ 708	N/A
Average rent income growth (vs Q1 2020) ¹	4%	4%	11%	N/A	N/A	N/A

⁽¹⁾ MECC acquired in February 2020, TP Cebu acquired in September 2020 while Laguna Technopark Land and The 30th were acquired in January 2021.

⁽²⁾ Contribution of each property to the overall cost. Cost consists of land lease, taxes and licenses, fund and property management fees, and depreciation.

F. Office Industry Benchmarks

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

	Makati	Cebu	Pasig/ Ortigas CBD
Occupancy rate	93%	79%	88%
Average rent/sq. m ¹	₱ 700 – 1,100	₱ 550 - 650	₱ 650 - 750

⁽¹⁾ Pre-pandemic, annual rental growth observed at average of 5.6%. Recently closed transactions at 2-3% escalation and/or delayed escalations to Year 3 or 4.

Sources:

- Colliers Philippines Research Q1 2021 Property Market Briefing dated 30 April 2021
- CBRE Philippines Market Report Q1 2021
- CBRE Cebu Market Overview dated May 2021

G. Investment Return

In 2020, AREIT delivered dividend yield of 4.89% relative to its IPO price per share of ₱ 27.00.

	Aug 2020 IPO	As of 31 Dec 2020
Dividends per share		₱ 1.32
Price per share	₱ 27.00	₱ 29.35
Dividend yield		4.89%
Price growth ¹		8.70%
Total return		13.59%

REIT Benchmarks

	As of 31 Dec 2020
AREIT dividend yield	4.89%
Ten-year BVAL	3.00%
Asia ex-Japan REITs	4.19% ²

⁽¹⁾ Price growth based on IPO price per share of ₱ 27.00.

⁽²⁾ Bloomberg, as of November 2020. Forward REIT yield per Manulife Investment Management's '2021 Outlook: Asia-Pacific REITs, January 2021':

- HK: 5.81%
- SG: 5.00%
- Australia: 3.69%

Net debt-to-equity ratio as of 31 March 2021 is 0.35 : 1. The availment of loan of ₱ 4.45 billion to partially fund the acquisition of The 30th and Laguna Technopark lots resulted in interest expense of ₱ 16.95 million for the quarter.

For 2020, total dividends distributed was ₱ 1,353,866,494 or 111% of AREIT's distributable income.

Payment date	Covered period	Aggregate amount paid	Dividends per share	Dividend growth (QoQ)	Dividend yield as of 31 Dec 2020 at IPO price per share of ₱27.00
September 15, 2020	Q1 2020	₱ 287,183,802	₱ 0.28	-	
September 15, 2020	Q2 2020	317,953,495	0.31	10.7%	
December 17, 2020	Q3 2020	348,723,188	0.34	9.7%	
March 25, 2021 ¹	Q4 2020	400,006,010	0.39	14.7%	
Total		₱ 1,353,866,494	₱ 1.32		4.89% ²

⁽¹⁾ As per Section 10 of Revenue Regulation No. 13-2011, as amended, dividends distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth month from the close of the taxable year, shall be considered as paid on the last day of such taxable year.

⁽²⁾ 4.85% per REIT plan based on ₱ 1.31 dividends per share and IPO price per share of ₱ 27.00

Computation of the distributable income of the Company as of December 31, 2020 is shown below:

2020 Net income	₱ 1,227,184,313
Less: Distribution adjustment	(3,293,073)
2020 Distributable income	₱ 1,223,891,240

H. 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 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 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.

In Millions

Property	Solaris	Ayala North Exchange	MECC	TP Cebu	The 30 th	Laguna Technopark Land
Type	Building	Building	Building	Building	Building	Land
Valuation	₱ 12,054	₱ 13,810 ¹	₱ 2,072	₱ 2,510	₱ 4,560	₱ 1,077
Valuation date	June 2020	June 2020	June 2020	Jan 2021	Oct 2020	Dec 2020
Valuation method	Income Approach	Income Approach	Income Approach	Income Approach	Income Approach	Market Approach

⁽¹⁾ Does not include portion of Ayala North Exchange building under finance lease

I. Asset Value as of 31 March 2021

	Total value	Value per share
Book value	₱ 12,341,161,387	₱ 12.03
Net asset value	₱ 35,371,361,552	₱ 34.49

J. Current Price per Share and Total Capitalization as of 31 March 2021

Market price per share	₱ 34.00
Market capitalization	₱ 34,872,318,790

K. Performance Indicators as of 31 March 2021

Current ratio ¹	0.30:1
Debt-to-equity ratio ²	0.36:1
Net debt-to-equity ratio ³	0:35:1
Profitability Ratios:	
Return on assets ⁴	8%
Return on equity ⁵	13%
Asset to Equity ratio ⁶	1.58:1
Market-to-book ratio ⁷	2.83:1

⁽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⁾ Debt to equity ratio is derived by dividing our total loans and borrowings by total equity. Debt to equity ratio measures the degree of our financial leverage. Total loan as of 31 March 2021 is ₱ 4.45 million.

⁽³⁾ Net debt to equity ratio is derived by dividing our total loans and borrowings less cash by total equity.

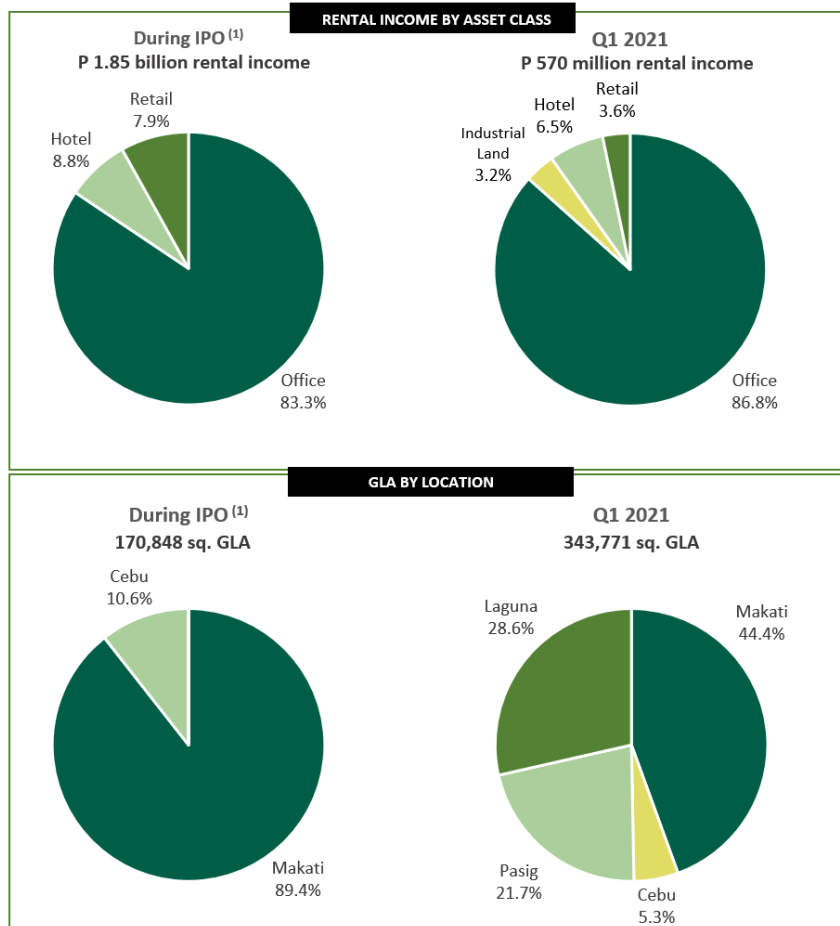
⁽⁴⁾ Return on assets is derived by annualized net income by total assets

- (5) 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.
- (6) 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.
- (7) 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.

OTHER PERFORMANCE METRICS

A. Diversified Asset Portfolio

The resilient office sector continues to drive AREIT's income contributing 87% of its rental income in the first quarter of 2021. The expansion to other central business districts and prime locations across the Philippines has allowed AREIT to diversify its portfolio.



⁽¹⁾ IPO assets include Solaris, Ayala North Exchange, McKinley Exchange Corporate Center and Teleperformance Cebu

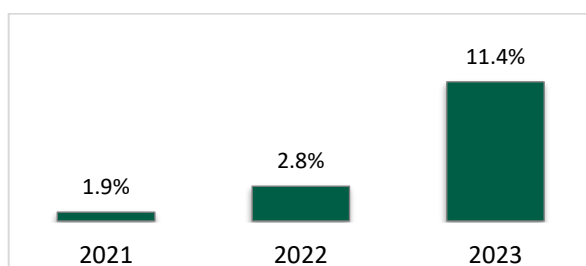
B. Stable Tenancy & Occupancy Across all Sectors

Average occupancy of AREIT properties remains high at almost 100% with minimal lease expiries until 2023.

Weighted Average Lease Expiry (WALE)

Property	WALE (years)
Office	4.4
Retail	27.6
Hotel	37.7
Industrial Land	6.7
Overall	9.8

Percentage of GLA expiring between 2021-2023



C. Strong Tenancy of High Credit Grade Locators

With the acquisition of Teleperformance Cebu, The 30th in Pasig and industrial land parcels in Laguna Technopark, AREIT will continue 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	28.6%
2	Shell Shared Services (Asia), B.V.	33,109	9.6%
3	Makati North Hotel Ventures, Inc. (Seda Residences Makati) ²	26,034	7.6%
4	North Eastern Commercial Corporation (Ayala Malls The 30th) ³	26,833	7.8%
5	Concentrix CVG Philippines, Inc.	24,137	7.0%
6	TPPH-FHCS, Inc.	17,682	5.1%
7	Oracle Netsuite (Philippines), Inc.	10,099	2.9%
8	Telus International (Philippines), Inc.	9,633	2.8%
9	Bank of the Philippine Islands	8,480	2.5%
10	PricewaterhouseCoopers Service Delivery Centre (Manila) Limited	7,987	2.3%
Total GLA		262,173	76.3%

⁽¹⁾ Subsidiary of Ayala Corporation

⁽²⁾ Subsidiary of Ayala Hotels and Resorts Corporation

⁽³⁾ Subsidiary of Ayala Land, Inc.

ASSET ACQUISITIONS

AREIT, Inc. ("AREIT") purchased parcels of land in Laguna Technopark ("LTI Lots") from Technopark Land, Inc. on 05 January 2021 at a total price of ₱1.2 billion inclusive of VAT.

On 15 January 2021, AREIT signed the Deed of Absolute Sale to purchase The 30th Commercial Development ("The 30th") from its Sponsor Ayala Land, Inc. (ALI) for a total price of ₱5.1 billion inclusive of VAT.

A. Selection Process & Investment Criteria

Below highlights the selection process performed by AREIT Fund Managers, Inc. ("AFMI") leading to AREIT's decision to acquire the said properties.

AREIT's principal investment strategy is to invest in income-generating real estate properties that meet a select set of criteria designed to provide competitive returns to its investors. Below describes how each property satisfies AREIT's investment criteria.

1. High quality, Grade A commercial assets in prime locations, including freehold, logistics/industrial properties.

While focus is on the resilient office sector, AREIT will also acquire freehold and other asset classes to diversify investor risk. The 9.8-hectare LTI Lots are located in Laguna Technopark, a premiere PEZA-accredited industrial park spanning portions of Biñan and Santa Rosa in the province of Laguna currently managed by AyalaLand Logistics Holdings Corp. (ALLHC), a listed subsidiary of ALI. Laguna Technopark is home to top global and local companies' logistics, manufacturing and industrial operations.

The 30th is a grade A, PEZA-certified commercial development composed of a 19-storey office tower with gross leasable area ("GLA") of 47,871 square meters supported by a four (4)-storey retail podium with GLA of 26,833 square meters located along Meralco Avenue in Pasig City.

Both sites provide convenient access to public transportation, support retail establishments and a large talent pool, which are all important considerations for office and manufacturing locators.

2. Stable occupancy with long term leases.

As of 31 March 2021, the two properties have a high occupancy ensuring AREIT's very stable cashflow profile is preserved from long-term leases. The contract of lease with Integrated Micro-Electronics, Inc. (IMI) for the LTI Lots will expire in 2027. For The 30th, 7% of the office lease contracts will expire in 2021 and 12% in 2022. As of March 31, 2021, average occupancy of the development is 99% while weighted average lease expiry is 14.9 years. Typical office lease terms are fixed for a period of five (5) to ten (10) years and renewable for similar periods.

3. Strong, high-credit grade tenant locators.

Stable income and cashflows will be derived from a solid tenant mix of top multinational and local companies. The 30th's office tenants are predominantly BPOs with no POGO exposure. It is home to multinational BPOs such as PricewaterhouseCoopers Service Delivery Centre, Amdocs Philippines, Transcom Worldwide, and IQVIA Solutions Operations Center Philippines. Meanwhile, The 30th's retail podium continues to be operated by North Eastern Commercial Corp. (NECC), a wholly-owned subsidiary of ALI under the Ayala Malls brand and pays a monthly guaranteed building lease to AREIT.

The LTI Lots are being leased by IMI, one of the leading players in global manufacturing and technology solutions and is a listed subsidiary of Ayala Corporation.

4. Attractive growth and dividend accretive through contracted rental escalations and potential acquisitions.

Revenue growth from the properties' contracted leases can be achieved through annual rental escalations at a range of three to five percent from contracted leases. By funding the acquisitions with cash and debt, the acquisitions are dividend yield accretive.

Below is a summary table to further demonstrate how the properties fit AREIT's investment criteria.

	Laguna Technopark Lots	The 30 th
Year Completed	N/A	2017
Description	Four (4) parcels of land	Grade A, PEZA-accredited, mixed-use development
Strategic Location	Laguna Technopark, Binan, Laguna	Meralco Avenue, Pasig City
GLA	98,179 sq.m. (land)	74,704 sq.m. (building)
Occupancy Rate ¹	100%	99%
Average Rent	₱ 63 (land)	₱ 708 (office)
Key Tenants	Integrated Micro Electronics Inc.	PricewaterhouseCoopers Service Delivery Centre, Amdocs Philippines, Transcom Worldwide, IQVIA Solutions Operations Center Philippines
WALE ¹	6.8 years	14.9 years
Right over Building	N/A	Owned
Right over Land	Owned	Leased
Land Lease Expiry	N/A	2056

⁽¹⁾ As of 31 March 2021

B. Risk Assessment

AFMI hereby certifies that it has conducted full due diligence on the properties and no adverse findings were noted. In valuing the properties, it has also considered the inherent risks. Inherent risks include potential vacancies and downward adjustments in rent due to the pandemic and prolonged work from home arrangements. With the two properties having a high occupancy of 99-100% and high credit-grade tenants with long-term contracted leases, vacancy risk is minimal and AREIT is ensured that stable income from operations is preserved. For The 30th, the mall continues to be operated by NECC a wholly-owned ALI subsidiary (under the Ayala Malls brand), and AREIT receives guaranteed building lease; hence, AREIT will have no operating and vacancy risk from the retail podium's operations.

C. Strategic Rationale and Benefits of the Asset Acquisitions

The acquisition of the properties will directly contribute to AREIT's income, adding to the earnings generated by the company's existing buildings. This will increase the distributable income to its shareholders, demonstrate AREIT's ability to deliver stable and regular dividends, and strengthen its potential for capital appreciation.

The two property acquisitions increased AREIT's portfolio from 171 thousand square meters to 344 thousand square meters of GLA and increased AREIT's deposited property value from ₱ 31.4 billion to ₱ 37.0 billion. At a total acquisition cost of ₱ 6.4 billion (inclusive of transaction costs) and a cap rate of 6.10%, the asset acquisitions are yield accretive, higher than AREIT's 2021 REIT plan projection of 5.85%. Estimated yields are subject to actual operating performance and market conditions.



D. Funding

The acquisition of the two properties were funded with debt and AREIT’s available cash. ₱ 4.45 billion loan was secured to partially fund the transaction.

E. Value Consideration

As endorsed by AREIT and AFMI’s respective Related Party Transactions Committee, approved by the companies’ Board of Directors, and ratified by AREIT’s stockholders, the properties were purchased at a total price of around ₱ 5.6 billion exclusive of VAT and other transaction costs, and is aligned with the Appraisal Reports issued by Asian Appraisal Company, Inc. Asian Appraisal used the Discounted Cashflows (“DCF”) Approach as the primary method to estimate the fair value of the properties. Under the DCF approach, the cashflows of the properties were discounted based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model.

F. Acquisition Fees

Total fees paid to AFMI in relation to the acquisitions is ₱ 55.5 million equivalent to 1% of the total acquisition price, in accordance with the Fund Management Agreement:

In millions

Property	Purchase Price (exclusive of VAT)	AREIT FM Acquisition Fee (exclusive of VAT)
LTI Lots	₱ 988	₱ 9.9
The 30 th	₱ 4,564	₱ 45.6
Total	₱ 5,552	₱ 55.5

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.

Patricia Gail Y. Samaniego
PATRICIA GAIL Y. SAMANIEGO
Attorney-in-Fact

Bianca Camille B. Catolico
BIANCA CAMILLE B. CATOLICO
Attorney-in-Fact

SUBSCRIBED AND SWORN to before me this MAY 20, 2021 day of May 2021 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. EC8281559	15 Jul 2016/DFA NCR Northeast

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Series of 2021.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy



Florence D.G. Martirez-Cruz
MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ
Notary Public - Makati City
Appt. No. M-154 until December 31, 2021
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