



Performance Report for the Third Quarter of 2020

21 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 30 SEPTEMBER 2020

A. Interim Statement of Comprehensive Income for Nine Months Ended 30 September 2020

In Pesos, Thousands

	Total	Breakdown per property		
		Solaris	Ayala North Exchange	MECC
Rental income	1,077,368	430,404	575,557	71,408
Dues	183,164	142,700	34,773	5,691
Interest income from finance lease receivables	112,905	0	112,905	0
Revenue	1,373,437	573,104	723,234	77,098
Direct operating expenses	192,470	60,504	130,868	1,098
Fund management fees	25,580	19,186	5,847	547
Property management fees	21,790	8,731	11,344	1,715
Cost and expenses	239,840	88,422	148,059	3,360
Net operating income	1,133,597	484,683	575,175	73,739
General and administrative expenses	8,338			
Earnings before interest, taxes, depreciation and amortization	1,125,259			
Depreciation	159,185	34,490	108,417	16,279
Interest income	67,083			
Interest expense	(46,889)			
Other income (expense)	(35,503)			
Other income (charges) – net	(15,308)			
Income before tax	950,765			
Provision for income tax	106,555			
Net Income	844,210			
Other comprehensive income	0			
Total comprehensive income	844,210			
Distributable income	844,210			
Basic/Diluted earnings per share	0.82			

B. Income from Related Parties for the Nine Months Ended 30 September 2020

In Pesos, Thousands

	Total	Solaris	Ayala North Exchange	MECC
Rental income				
Alveo Land Corporation	3,560	3,560		
Bank of the Philippine Islands	84,543	1,691	82,852	
BPI Capital Corporation	9,114		9,114	
BPI Securities Corporation	5,698		5,698	
First Gateway Real Estate Corporation	7,517		7,517	
Interest income from finance lease receivables				
Makati North Hotel Ventures, Inc.	112,905		112,905	
Total income from related parties	223,336	5,251	218,085	0
<i>% of income from related parties to total rental income and interest income from finance lease</i>	<i>19%</i>	<i>1%</i>	<i>32%</i>	<i>0%</i>

C. Interim Statement of Cash Flows for the Nine Months Ended 30 September 2020

Cash flows from operating activities	
Income before income tax	₱ 950,765,422
Adjustments for:	
Depreciation	159,185,041
Interest expense	46,888,845
Interest income from finance lease receivables	(112,904,558)
Interest income	(67,083,449)
Operating income before working capital changes	976,851,301
Changes in operating assets and liabilities:	
Decrease (Increase) in:	
Receivables	84,660,855
Other assets	(43,744,451)
Increase (decrease) in:	
Accounts and other payables	237,358,726
Deposits and other liabilities	(20,748,212)
Construction bonds	(11,105,498)
Cash generated from (used in) operations	1,223,272,721
Interest received	67,083,449
Income tax paid	(190,584,916)
Net cash flows provided by (used in) operating activities	1,099,771,254
Cash flows from investing activities	
Decrease (increase) in due from related parties	(1,544,700,000)
Payments for additions to investment properties	(304,505,338)
Net cash flows provided by (used in) investing activities	(1,849,205,338)
Cash flows from financing activities	
Dividends paid	(605,137,296)
Net proceeds from issuance of shares	1,264,451,403
Net cash flows provided by (used in) financing activities	659,314,107
Net increase in cash	(90,119,977)
Cash at beginning of period	122,180,606
Cash at end of period	₱ 32,060,629

D. Adjusted Funds from Operations for the Nine Months Ended 30 September 2020

	Total
Total comprehensive income	₱ 844,210,128
Add back: Depreciation	159,185,041
Add/Deduct: PAS adjustment	(31,092,212)
Deduct: CAPEX	(30,112,962)
Adjusted Funds from Operations	₱ 942,189,996

E. Operating Statistics as of 30 September 2020

	Solaris	Ayala North Exchange	MECC
Location	Makati	Makati	Makati
Overall			
Total gross leasable area (GLA)	46,768	95,300	10,688
Occupied GLA	44,430	93,779	10,688
Occupancy rate	95%	98%	100%
Revenue Contribution YTD 30 Sept 2020	42%	53%	5%
Cost contribution YTD 30 Sept 2020 ¹	32%	63%	5%
Office			
Total GLA	46,027	61,724	9,633
Occupied GLA	43,726	61,724	9,633
Occupancy rate	95%	100%	100%
Average rent per sq. m	₱ 939	₱ 924	₱ 831

⁽¹⁾ 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
Occupancy rate	98%	90%
Average rent/sq. m ¹	₱ 800 – 1,300	₱ 550-650

⁽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.

Source: Colliers International Q3 2020 Property Market Briefing dated 29 October 2020

G. Investment Return

As of 30 September 2020, AREIT distributed total dividends per share of ₱ 0.59 and projected dividends for the year is ₱ 1.32 with dividend yield of 4.89% on IPO price per share of ₱ 27.00 as aligned with the REIT Plan.

	Aug 2020 IPO	As of 30 Sept 2020
Dividends per share		₱ 0.59
IPO price per share	₱ 27.00	₱ 27.00
Dividend yield on IPO price per share		2.19%

REIT Benchmarks

	As of 30 Sept 2020
AREIT dividend yield	2.19%
Ten-year BVAL	2.98%
Asia ex-Japan REITs	4.19% ¹

⁽¹⁾ Bloomberg, as of November 2020.

Total dividends distributed to date was ₱ 605,137,297 with 10.7% QoQ growth.

Payment date	Covered period	Aggregate amount paid	Dividends per share	Dividend growth (QoQ)	Dividend yield as of 30 September 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%	
Total		₱ 605,137,297	₱ 0.59		2.19%

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.

In Millions

Property	Solaris	Ayala North Exchange	MECC
Type	Building	Building	Building
Valuation	₱ 12,054	₱ 13,810 ¹	₱ 2,072
Valuation date	June 2020	June 2020	June 2020
Valuation method	Income Approach	Income Approach	Income Approach

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

I. Asset Value as of 30 September 2020

	Total value	Value per share
Book value	₱ 12,304,253,009	₱ 12.00
Net asset value	₱ 35,259,915,133	₱ 34.38

J. Current Price per Share and Total Capitalization as of 30 September 2020

Market price per share	₱ 25.80
Market capitalization	₱ 26,461,936,023

K. Performance Indicators as of 30 September 2020

Current ratio ¹	2.13:1
Debt-to-equity ratio ²	-
Net debt-to-equity ratio ³	-
Profitability Ratios:	
Return on assets ⁴	7%



Return on equity ⁵	10%
Asset to Equity ratio ⁶	1.29:1
Market-to-book ratio ⁷	2.15:1

Notes:

- (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.*
- (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

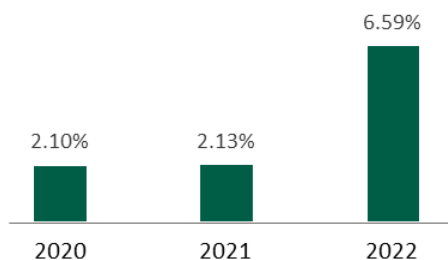
A. Stable Tenancy & Occupancy Across all Sectors

Average occupancy of AREIT properties remains high at almost 97% with minimal lease expiries until 2022.

Weighted Average Lease Expiry (WALE)

Property	WALE (years)
Office	5.1
Retail	2.9
Hotel	38.2
Overall	10.7

Percentage of GLA expiring between 2020-2022



B. 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	Shell Shared Services (Asia), B.V.	33,109	21.7%
2	Makati North Hotel Ventures, Inc. (Seda Residences Makati) ¹	26,034	17.0%
3	Concentrix CVG Philippines, Inc.	24,137	15.8%
4	Oracle Netsuite (Philippines), Inc.	10,099	6.6%
5	Telus International (Philippines), Inc.	9,633	6.3%
6	Bank of the Philippine Islands	8,480	5.5%
7	ANZ Global Services and Operations (Manila), Inc.	6,953	4.6%
8	Institutional Shareholder Services, Inc	4,823	3.2%
9	Amaysim Philippines, Inc.	4,081	2.7%
10	Prulife Insurance Corporation of UK	3,280	2.1%
Total GLA		130,629	85.5%

⁽¹⁾ Subsidiary of Ayala Hotels & Resorts Corporation

ASSET ACQUISITIONS

On September 15, 2020, AREIT, Inc. ("AREIT") purchased from ALO Prime Realty Corporation, a wholly-owned subsidiary of its Sponsor, Ayala Land, Inc. (ALI), the building known as Teleperformance Cebu (TP Cebu) in accordance with its REIT Plan for a purchase price of ₱ 1.45 billion exclusive 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 property.

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 the property satisfies AREIT's investment criteria.

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

TP Cebu is a 12-storey, grade A, LEED Gold, PEZA-certified office development with total gross leasable area of 18,092 sq. m centrally located at the Cebu IT Park in Cebu City. The location provides convenient access to public transportation, support retail establishments and a large talent pool, which are all important considerations for office and locators.

2. Stable occupancy with long term leases.

Occupancy is 100% higher than Philippine industry average occupancy of 90% and higher than Cebu City's average occupancy of 80%. Income from operations is stable with a weighted average lease expiry ("WALE") of 6.6 years, longer than the AREIT's IPO office properties' WALE of 5.1 years as of 30 September 2020.

3. Strong, high-credit grade tenant locators.

Teleperformance, the building's sole office locator, is one of the Philippines' top three BPO companies with over 40 thousand employees across the country. It has been in operations in the Philippines for over twenty-four years, and has presence in over 80 countries across the globe.

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

The acquisition is yield accretive. At a purchase price of ₱ 1.45 billion, AREIT will yield 6.17% in 2021, higher than the IPO assets' projected yield of 4.85% in 2020. In addition, TP Cebu being a stand-alone office building with land owned by its Sponsor, allows AREIT to quickly deliver on its REIT plan projection of ₱ 1.31 dividend per share in 2020.

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

Year Completed	2010
Description	Grade A, LEED Gold Certified, PEZA-Accredited commercial building
Strategic Location	Inez Villa Street, Cebu I.T. Park, Cebu City
GLA	18,092 sq.m. (building)
Occupancy Rate as of 30 September 2020	100%
Key Tenant	Teleperformance
WALE as of 30 September 2020	6.6 years
Right over Building	Owned
Right over Land	Leased
Land Lease Expiry	2051

B. Risk Assessment

AFMI hereby certifies that it has conducted full due diligence on the property and no adverse findings were noted. In valuing the property, 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 property having a high occupancy of 100% and a high credit-grade tenant with a long-term lease contract, vacancy risk is minimal and AREIT is ensured that stable income from operations is preserved.

C. Strategic Rationale and Benefits of the Asset Acquisition

The acquisition of the property 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 acquisition increased AREIT's portfolio from 153 thousand square meters 171 thousand square meters of GLA and increased AREIT's deposited property value from ₱ 30.0 billion to ₱ 31.4 billion. At a total acquisition cost of ₱ 1.7 billion (inclusive of transaction costs) and a cap rate of 6.17%, the asset acquisition is yield accretive, higher than AREIT's 2020 REIT plan projection of 4.85%. Estimated yield is subject to actual operating performance and market conditions.

D. Funding

The acquisition of the property was funded using primary net proceeds from AREIT's initial public offering of ₱ 1.19 billion and excess cash from operations of ₱ 261 million.

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 property was purchased at a total price of around ₱ 1.4 billion exclusive of VAT and other transaction costs. The Appraisal Report was 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 property. Under the DCF approach, the cashflows of the property was discounted based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model.



F. Acquisition Fees

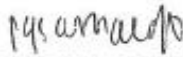
Total fees paid to AFMI in relation to the acquisition is ₱ 15 million exclusive of VAT equivalent to 1% of the total acquisition price of ₱ 1.4 billion, in accordance with the Fund Management Agreement.

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
Attorney-in-Fact


BIANCA CAMILLE B. CATOLICO
Attorney-in-Fact

MAY 20 2021


SUBSCRIBED AND SWORN to before me this ____ 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> Patricia Gail Y. Samaniego Bianca Camille B. Catolico	TIN: 007-888-715-000 Passport No. P4748326B Passport No. EC8281559	8 Feb 2020/DFA NCR South 15 Jul 2016/DFA NCR Northeast

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Page No. 79 ;
Book No. XIV ;
Series of 2021.

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




MA. FLORENCE THERESE D.G. MARTINEZ-CRUZ
Notary Public - Makati City
Appl. No. M-154 until December 31, 2021
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