



Performance Report for the Second Quarter of 2021

August 13, 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 PERIOD ENDED JUNE 30 2021

AREIT, Inc. changed its accounting method in valuing investment properties from cost method to fair value method to reflect the market value of its properties and align financial reporting practices with that of global REITs which takes effect retroactively from January 1, 2021.

A. Interim Statement of Comprehensive Income for the Period Ended June 30 2021

In Pesos, Millions

	Total	Breakdown per property					
		Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land
Rental income	1,076.04	290.58	384.99	58.14	85.39	219.83	37.11
Dues	199.68	91.52	40.98	8.60	19.72	38.85	0.00
Interest income from finance lease receivables ¹	88.98	-	75.07	-	-	13.91	-
Revenue	1,364.70	382.10	501.04	66.74	105.11	272.59	37.11
Direct operating expenses	(169.39)	(39.25)	(93.56)	(1.23)	(4.54)	(30.40)	(0.41)
Fund management fees	(59.16)	(19.48)	(21.41)	(2.29)	(4.97)	(10.47)	(0.54)
Property management fees	(57.40)	(16.19)	(22.38)	(2.35)	(4.28)	(11.09)	(1.11)
Cost and expenses	(285.95)	(74.92)	(137.35)	(5.87)	(13.78)	(51.96)	(2.06)
Net operating income	1,078.75	307.18	363.69	60.87	91.33	220.63	35.05
General & administrative expenses	(23.04)						
Earnings before interest, taxes, depreciation and amortization	1,055.71						
Depreciation	(0.01)						
Gain under finance lease	28.31						
Interest income	3.93						
Interest expense	(80.88)						
Unrealized gain (loss) from changes in fair values of investment property	307.87						
Other income (charges) - net	259.23						
Income before tax	1,314.94						
Provision for income tax	(0.03)						
Net income after tax (NIAT) ³	1,314.91						
Other comprehensive income	-						
Total comprehensive income	1,314.91						
Distributable income	1,314.91						
Basic/Diluted earnings per share	1.28						

⁽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.

⁽²⁾ NIAT before change in fair value at ₱ 1,007 million

B. Income from Related Parties for the Period Ended June 30 2021

In Pesos, Millions

Related Parties	Total		Breakdown per property			
	%	Amount	Solaris	Ayala North Exchange	The30th	Laguna Technopark Land
Rental income						
Alveo Land Corporation	0%	2.10	2.10	-	-	-
Bank of the Philippine Islands	5%	58.59	1.17	57.42	-	-
BPI Capital Corporation	1%	6.31	-	6.31	-	-
BPI Securities Corporation	0%	3.95	-	3.95	-	-
First Gateway Real Estate Corporation	0%	5.26	-	5.26	-	-
Integrated Microelectronics, Inc.	3%	37.11	-	-	-	37.11
Interest income from finance lease receivables						
Makati North Hotel Ventures, Inc.	6%	75.07	-	75.07	-	-
North Eastern Commercial Corporation	2%	17.71	-	-	17.71	-
Total rental income and interest income from finance lease receivables	18%	206.09	3.27	148.00	17.71	37.11

C. Interim Statement of Cash Flows for the Period Ended June 30 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Income before income tax	₱ 1,314,935,081
Adjustments for:	
Fair value change in investment properties	(307,873,195)
Depreciation and amortization	7,805
Interest expense	80,879,798
Gain under finance lease	(28,309,398)
Interest income from finance lease receivables	(88,978,313)
Interest income	(3,926,391)
Operating income before working capital changes	₱ 966,735,387
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Receivables	4,705,675
Other assets	(804,642,897)
Increase (decrease) in:	
Accounts and other payables	(64,517,662)
Deposits and other liabilities	144,993,614
Cash generated from (used in) operations	₱ 247,274,117
Interest received	3,926,391
Interest paid	(38,060,272)
Income tax paid	(25,453)
Net cash flows provided by (used in) operating activities	₱ 213,114,783
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease (increase) in due from related parties	1,918,938,726
Payments for additions to investment properties	(5,694,354,566)
Payments for additions to property and equipment	(227,205)
Net cash flows provided by (used in) investing activities	(₱3,775,643,045)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from short-term loans	4,422,500,000
Payments of dividends	(830,781,712)
Payments of principal portion of lease liability	(17,081,739)
Net cash flows provided by (used in) financing activities	₱ 3,574,636,549
NET INCREASE (DECREASE) IN CASH	₱ 12,108,287
CASH AT BEGINNING OF YEAR	58,977,547
CASH AT END OF YEAR	₱ 71,085,834

D. Adjusted Funds from Operations for the Period Ended June 30 2021

	Total
Net income after tax	₱ 1,314,909,628
Add back: Depreciation	7,805
Deduct: PAS adjustment	(9,385,706)
CAPEX	(27,906,916)
Gain from finance lease	(28,309,398)
Gain on change in fair value of investment properties	(307,873,195)
Adjusted Funds from Operations	₱ 941,442,218

E. Operating Statistics as of June 30 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) (sq. m)	46,768	95,300	10,688	18,093	74,704	98,179
Occupied GLA (sq. m)	46,763	93,566	10,593	18,093	74,147	98,179
Occupancy rate (sq. m)	100%	98%	99%	100%	99%	100%
Revenue contribution in Q1 2021	28%	37%	5%	8%	20%	3%
Cost contribution in Q1 2021 ¹	26%	48%	2%	5%	18%	1%
Office						
Total GLA (sq. m)	46,027	61,724	9,633	17,682	47,871	N/A
Occupied GLA (sq. m)	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	₱ 967	₱ 964	₱ 872	₱ 653	₱ 714	N/A
Average rent income growth (vs 1H 2020) ²	11%	4%	5%	N/A	N/A	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⁾ MECC acquired in February 2020, TP Cebu acquired in September 2020 while Laguna Technopark Land and The 30th were acquired in January 2021.

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%	76%	87%
Average rent/sq. m ¹	₱ 700-1,100	₱ 550-650	₱ 600-750

⁽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 Q2 2021 Property Market Briefing dated 30 July 2021
- Colliers Philippines Research Q1 2021 Property Market Briefing dated 28 May 2021

G. Investment Return

For the first half of 2021, AREIT delivered dividend yield of 3.18% relative to its IPO price per share of ₱ 27.00 resulting in total shareholder return of 37.99% as of end of the period.

	Aug 2020 IPO	2020	1H 2021
Dividends per share		₱ 1.32	₱ 0.86
Price per share as of end of period	₱ 27.00	₱ 29.35	₱ 36.40
Dividend yield		4.50%	3.18%
Price growth ¹		8.70%	34.81%
Total return		13.20%	37.99%

REIT Benchmarks	2020	1H 2021
AREIT dividend yield ¹	4.89%	3.18%
Ten-year BVAL	3.00%	3.92%
HK and Singapore REITs dividend yield	5.00% - 5.81% ²	5.16% - 5.49% ³

⁽¹⁾ 1H 2021 Dividend yield and 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%

⁽³⁾ Source: Bloomberg, FTSE Russell as of June 30, 2021 and Manulife Investment Management Report as of July 2021. Annualized dividend yield per location:

- HK: 5.49%
- SG: 5.16%
- Australia: 3.79%

Net debt-to-equity ratio as of June 30, 2021 is 0.13 : 1. The avilment of loan of ₱ 4.42 billion to partially fund the acquisition of The 30th and Laguna Technopark lots resulted in interest expense of ₱ 39.85 million for the first half of 2021.

For the first half of 2021, total dividends declared was ₱ 882 million or ₱0.86 per share.

	1H 2020	1H 2021
Total dividends	₱ 605,137,297	₱ 882,064,534
Dividends per share	₱ 0.59	₱ 0.86
Growth (1H 2021 vs 1H 2020)	-	45.76%

Computation of the distributable income of the Company as of June 30, 2021 is shown below:

1H 2021 Net income	₱ 1,314,909,628
Less: Gain on change in fair value of investment properties	(307,873,195)
Gain on finance lease	(28,309,398)
1H 2021 Distributable income	₱ 978,727,035

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”). 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.

Property	Solaris	Ayala North Exchange	MECC	TP Cebu	The 30 th	Laguna Technopark Land
Type	Building	Building	Building	Building	Building	Land
Valuation	₱ 12,170 M	₱ 13,656 M ¹	₱ 1,940 M	₱ 2,510 M	₱ 4,643 M	₱ 1,087 M
Valuation date	June 2021	June 2021	June 2021	June 2021	June 2021	June 2021
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, Price per Share and Total Capitalization as of June 30 2021

	Total value <i>In thousands</i>	Value per share
Book value	₱ 33,292	₱ 32.46
Net asset value	₱ 34,987	₱ 34.11
Market capitalization	₱ 37,334	₱ 36.40

J. Performance Indicators as of June 30 2021

Current ratio ¹	0.19:1
Debt-to-equity ratio ²	0.13:1
Net debt-to-equity ratio ³	0:13:1
Profitability Ratios:	
Return on assets ⁴	7%
Return on equity ⁵	8%
Asset to Equity ratio ⁶	1.20:1
Market-to-book ratio ⁷	1.12:1

⁽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 June 30, 2021 is ₱ 4.42 billion.

⁽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.

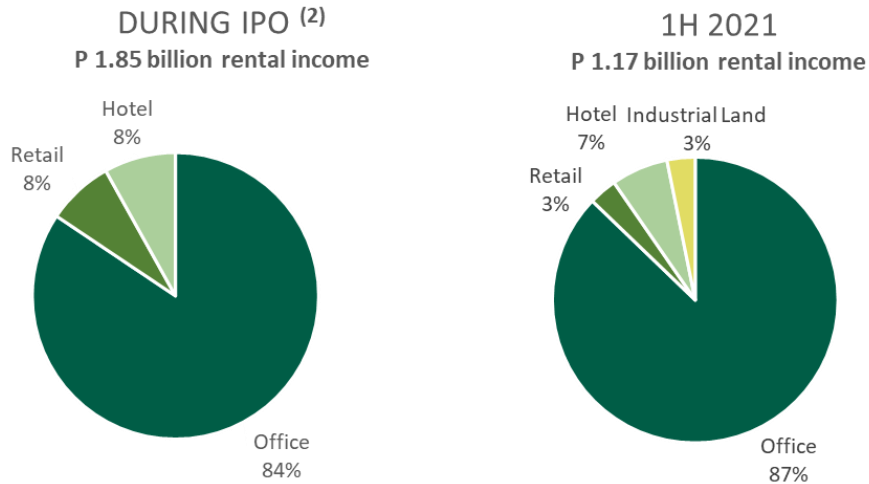
⁽⁷⁾ Market-to-book ratio is derived by dividing the market capitalization or the stock's closing price by the book value. Market-to-book ratio measures the market's valuation of our company relative to our book value.

OTHER PERFORMANCE METRICS

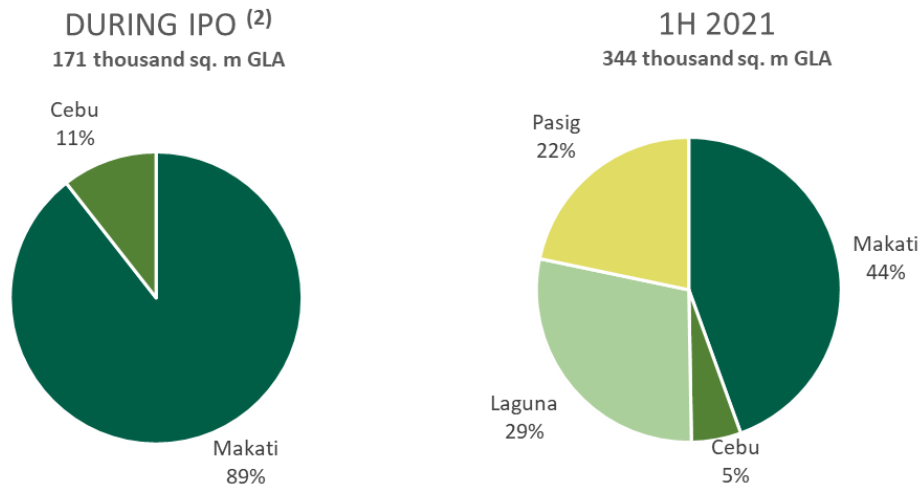
A. Diversified Asset Portfolio

The resilient office sector continues to drive AREIT’s income contributing 87% of its rental income¹ during the first half of 2021. The expansion to other central business districts and prime locations across the Philippines has allowed AREIT to diversify its portfolio.

RENTAL INCOME¹ BY ASSET CLASS



GLA BY LOCATION



(1) Rental income includes Interest income from finance lease attributable to the long-term lease of Makati North Hotel Ventures, Inc. (Seda Residences Makati) and North Eastern Commercial Corporation (The 30th Mall)

(2) IPO assets include Solaris, Ayala North Exchange, McKinley Exchange and TP Cebu

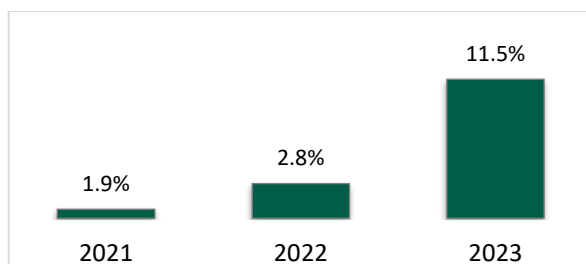
B. Stable Tenancy & Occupancy Across all Sectors

Average occupancy of AREIT properties remains high at almost 99% with minimal lease expiries until 2023.

Weighted Average Lease Expiry (WALE)

Property	WALE (years)
Office	3.6
Retail	27.2
Hotel	37.0
Industrial Land	6.5
Overall	9.4

Percentage of GLA expiring between 2021-2023



C. 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	28.8%
2	Shell Shared Services (Asia), B.V.	33,073	9.7%
3	North Eastern Commercial Corporation (Ayala Malls The 30th) ²	26,833	7.9%
4	Makati North Hotel Ventures, Inc. (Seda Residences Makati) ³	26,034	7.6%
5	Concentrix CVG Philippines, Inc.	24,280	7.1%
6	TPPH-FHCS, Inc.	17,682	5.2%
7	Oracle Netsuite (Philippines), Inc.	10,099	3.0%
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		262,280	76.8%

⁽¹⁾ Subsidiary of Ayala Corporation

⁽²⁾ Subsidiary of Ayala Land, Inc.

⁽³⁾ Subsidiary of Ayala Hotels and Resorts Corporation

ASSET ACQUISITIONS

On June 8, 2021, AREIT Inc. (“Company”), Ayala Land Inc (“ALI”), and ALI’s subsidiaries Westview Commercial Ventures Corp. (“Westview”), and Glensworth Development, Inc. (“GDI”) (Westview, and GDI collectively referred to as “Subsidiaries”), signed a Deed of Exchange for AREIT to acquire Vertis North Commercial Development, BPI Philam Life Makati and BPI Philam Life Alabang office units, Bacolod Capitol Corporate Center, Ayala Northpoint Technohub, and One and Two Evotech Buildings (collectively referred to as “Properties”).

The transaction is a property-for-shares swap whereby the Company will issue shares to ALI and its Subsidiaries (as illustrated in Table 2 below) in exchange for the identified Properties with a transfer value of ₱ 15,464,140,000.00, at a transaction price of ₱ 32.00 per share (“Transaction”) which are within the range of a fairness opinion issued by PwC Philippines – Isla Lipana & Co. (“PWC”), an independent fairness opinion provider accredited by both the Securities and Exchange Commission (“SEC”) and the Philippine Stock Exchange (“Exchange”).

The infusion of the Properties into the Company through the property-for-shares swap is in line with the objective of both AREIT, and its Sponsor, ALI, to grow the asset base of AREIT through the infusion of several high-quality assets.

Table 1 – Properties Subject of Property-For-Share Swap

Properties	Registered Owner	Fair Market Value (Appraised Value) (in Pesos)	Transfer Value (in Pesos)
Vertis North Commercial Development	ALI	14,166,530,000.00	11,975,700,000
BPI-Philam Life Makati	ALI	212,680,000.00	238,175,000
BPI-Philam Life Alabang	ALI	58,570,000.00	63,390,000
Bacolod Capitol Corporate Center	Westview ¹	897,950,000.00	897,939,000
Ayala Northpoint Technohub	Westview ¹	300,310,000.00	300,247,000
One Evotech and Two Evotech	GDI ²	1,989,230,000.00	1,988,689,000
Total		17,625,270,000.00	15,464,140,000

⁽¹⁾ 100% owned by ALI
⁽²⁾ 100% owned by AyalaLand Offices, Inc. (“ALO”), a wholly-owned subsidiary of ALI

Table 2 – Breakdown of Shares to be Issued to ALI and the Subsidiaries

Stockholder	Number of Shares
ALI	383,664,531
Westview	37,443,313
GDI	62,146,531
TOTAL	483,254,375

The Properties will be used as ALI’s and the Subsidiaries’ payment for the shares and will support the increase in the Company’s authorized capital stock from ₱ 11,740,000,000.00 divided into 1,174,000,000 common shares to ₱29,500,000,000.00 divided into 2,950,000,000 common shares. 483,254,375 primary common shares out of the 1,776,000,000 will be issued to ALI and the Subsidiaries in exchange for the Properties. The rest of the common shares subject of the increase will be used for future acquisitions and allowable investments in



accordance with Republic Act No. 9856, otherwise known as the Real Estate Investment Trust Act of 2009, and its Implementing Rules and Regulations (REIT Law).

The increase in capital stock and the property-for-shares swap described above were approved by the stockholders in the annual stockholders' meeting held last April 23, 2021. The Company filed an application for the increase on June 3, 2021.

The Company will apply for the additional listing of the shares resulting from the increase in authorized capital stock with the Exchange. The majority vote representing the outstanding shares held by the minority stockholders present and represented in the annual stockholders' meeting was likewise obtained for the issuance of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by ALI and the Subsidiaries, as part of the requirements of the Exchange.

The exchange of the shares for the Properties will qualify as a tax-free exchange under Section 40(C)(2) of the Tax Code, as amended, which provides that:

(2) Exception. - * * *

No gain or loss shall also be recognized if property is transferred to a corporation by a person, alone or together with others, not exceeding four (4) persons, in exchange for stock or unit of participation in such corporation of which as a result of such exchange the transferor or transferors, collectively, gains or maintains control of said corporation: *Provided*, That stocks issued for services shall not be considered as issued in return for property.

Sale or exchanges of property used for business for shares of stock covered under this Subsection shall not be subject to value-added tax.

In all of the foregoing, instances of exchange of property, prior Bureau of Internal Revenue confirmation or tax ruling shall not be required for purposes of availing the tax exemption. * * *

(6) Definitions. – * * *

(c) The term "control," when used in this Section, shall mean ownership of stocks in a corporation after the transfer of property possessing at least fifty-one percent (51%) of the total voting power of all classes of stocks entitled to vote: *Provided*, That the collective and not the individual ownership of all classes of stocks entitled to vote of the transferor or transferors under this Section shall be used in determining the presence of control.

Section 40(C)(2) of the Tax Code, as amended, has been interpreted by the Supreme Court in the case of Commissioner of Internal Revenue vs. Filinvest Development Corporation (G.R. No. 167689, 9 July 2011), and Commissioner of Internal Revenue vs. Lucio L. Co, et al. (G.R. No. 241424, 26 February 2020), to mean that a tax-free exchange applies when the controlling person gains "further control" or transfers where the exchanger already has control of the corporation at the time of the exchange.

The Company is currently awaiting the SEC's approval for the Deed of Exchange and its application for increase in authorized capital stock. The application for the issuance of certificates authorizing registration with the Bureau of Internal Revenue ("BIR") shall be secured upon approval by the SEC of the Transaction. The SEC's approval of the increase in capital stock and the BIR's issuance of the certificates authorizing registration are expected to be issued within the year. The Company shall likewise apply for the additional listing of shares with the Exchange within the year.



Table 3 – Indicative Timetable for Implementation¹

Annual Stockholders’ Meeting	April 23, 2021
Deed of Exchange Execution	June 8, 2021
SEC Approval (Increase in Authorized Capital Stock, Issuance of Shares, and Transaction)	June to August 2021
PSE Listing of Additional Shares	4Q 2021

SELECTION PROCESS & INVESTMENT CRITERIA

Below outlines the selection process performed by AREIT Fund Managers, Inc. (“AFMI”) leading to AREIT’s decision to acquire the said properties.

1. EVALUATION OF PROPERTIES BASED ON AREIT’S SELECTION CRITERIA

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 six (6) Properties identified and endorsed for acquisition satisfy AREIT’s investment criteria.

- a) **High quality, Grade A commercial assets in prime locations.** The Properties are all quality, grade A buildings strategically located in central business districts and key growth centers across the Philippines. All sites are situated along a major thoroughfare, provide convenient access to public transportation, have access to a large high-skilled talent pool and support retail establishments that cater to the office market. In addition, Vertis, Bacolod Capitol Corporate Center, and Ayala Northpoint Technohub, and One and Two Evotech are all PEZA-accredited buildings providing attractive fiscal incentives to eligible office locators. The Vertis and Evotech buildings are LEED-certified by the US Green Building Council, and exemplify sustainable practices in design, construction and operations.
- b) **Stable occupancy with long term leases.** All six properties have an excellent operating track record, 97-100% average occupancy and an overall weighted average lease expiry of 3.7 years as of June 30, 2021. Typical office lease terms are fixed for a period of five to ten years and renewable for another five to ten years.
- c) **Strong, high-credit grade tenant locators.** Stable income and cashflows will be derived from the properties’ strong tenant mix of multinational companies and top players in the BPO industry. All buildings have no POGO tenants.
- d) **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. The properties are projected to contribute further to the Company’s operating cashflows, boosting dividends per share. At an exchange price of ₱32.00 per share, the properties will generate a projected yield of 6%. At the aforementioned exchange price, AREIT’s yield from its existing assets is approximately 5.4%. Hence, the property for share swap would be accretive and will increase the overall yield from 5.4% to 5.7% after the new assets are in place.

Table 4

Below is a summary table providing more information about the Properties and further demonstrating how the Properties fit AREIT’s investment criteria.

	Vertis North Commercial Development	BPI-Philam Life Makati	BPI-Philam Life Alabang	Bacolod Capitol	Ayala Northpoint Technopark	One & Two Evotech
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				Corporate Center		
Location	Quezon City	Makati CBD	Madrigal Business Park, Alabang	Bacolod City, Negros Occidental	Talisay City, Negros Occidental	Nuvali, Sta. Rosa, Laguna
GLA (sq.m)	Office – 125k Mall – 39k	1k	0.5k	11k	5k	23k
Occupancy	97%	100%	100%	100%	100%	100%
Tenant Type	BPOs	HQ	HQ	BPO	BPO	BPO

In addition to the six (6) properties, two other properties available for sale, both located in Metro Manila and comparable in size were considered but did not meet critical investment standards due to lower occupancy rates (*i.e.*, at 81 and 82%, respectively) and shorter average lease expirations of 2.3 and 3.7 years, respectively.

2. STRATEGIC RATIONALE & BENEFITS OF THE PROPOSED TRANSACTION

As the first Philippine real estate investment trust (REIT) which successfully listed amidst the COVID-19 pandemic, AREIT aspires to further grow its leasing portfolio with prime and stable commercial assets. The Transaction will enlarge AREIT's portfolio from 344,000 square meters to 549,000 square meters of gross leasable area with assets that have good operating track record; increase AREIT's assets under management from ₱30 billion to ₱52 billion; and boost cashflows and improve the Company's ability to generate dividends for its shareholders. At the transaction price of ₱32.00 per share, the assets to be infused are yield accretive to AREIT at a capitalization rate of 6%.

3. AGGREGATE VALUE CONSIDERATION

The Properties were valued by the Company at ₱15.46 billion, and the transaction price was set at ₱ 32.00 per share, which are all within the range of fair values identified by PWC, and the Appraisal Reports issued by Asian Appraisal Company, Inc.

The assets were valued using the Discounted Cashflows ("DCF") Approach as the primary method to estimate the fair value of the AREIT shares and Properties. Under the DCF approach, PwC discounted the cashflows of AREIT and the Properties based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model. The Direct Capitalization Approach and Market Approach were also used as secondary methods to cross-check the value of the Properties and the value of AREIT shares, respectively.

4. DUE DILIGENCE & RISK ASSESSMENT

The Fund Manager 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 Properties having a high occupancy of 97-100% 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 Vertis North Commercial Development, the mall will continue to be operated by North Eastern Commercial Corporation (NECC), a wholly-owned ALI subsidiary (under the Ayala Malls brand), and AREIT will receive guaranteed building lease payments from NECC; hence, AREIT will have no operating and vacancy risk from the retail podium's operations.

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.

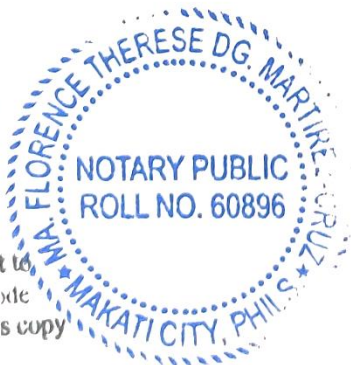

PATRICIA GAIL Y. SAMANIEGO
Attorney-in-Fact


BIANCA CAMILLE B. CATOLICO
Attorney-in-Fact


SUBSCRIBED AND SWORN to before me this 11th day of August 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 PRC ID Registration No. 0134222	Feb 8, 2020/DFA NCR South Feb 1, 2019/Manila

Doc. No. 104;
Page No. 22;
Book No. XV;
Series of 2021.



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


MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ
Notary Public – Makati City
Appt. No. M-154 until December 31, 2021
Roll of Attorneys No. 60896
IBP No. 136246 – 12/21/2020 - Makati City
PTR No. 8533969ME – 01/04/2021 - Makati City
MCLE Compliance No. VI – 0009482 – (06/20/2021)
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