

PSE Number:  
SEC Number: CS200613870  
File Number: \_\_\_\_\_

**AREIT, INC.**

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(Company's Full Name)

28F, Tower One, Ayala Triangle  
Ayala Avenue, Makati City 1226

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(Company Address)

(632) 7908-3804

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(Telephone Number)

**December 31, 2023**

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(Year Ending)

**Annual Report- SEC Form 17-A**

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(Form Type)

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(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the fiscal year ended **December 31, 2023**
2. Commission Identification Number **CS200613870**
3. BIR Tax Identification No. **006-346-689-000**
4. Exact name of issuer as specified in its charter: **AREIT, INC.**
5. Province, Country or other jurisdiction of incorporation or organization:  
**Makati City, Philippines**
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of issuer's principal office and postal code:  
**28F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226**
8. Issuer's telephone number, including area code: **(632) 7908-3804**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

**As of December 29, 2023**

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
<b>Common shares</b>	<b>2,368,606,573</b>

11. Are any or all of the securities listed on a Stock Exchange?  
Yes [x]      No [ ]

Name of Stock Exchange: **Philippine Stock Exchange**  
Class of Securities listed: **Common shares**

**1,576,240,780** common shares have been listed with the Philippine Stock Exchange<sup>1</sup>

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes [x]      No [ ]

(b) has been subject to such filing requirements for the past 90 days:  
Yes [x]      No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: ₱26,711,396,160.00

<sup>1</sup> The application for listing for the 252,136,383 common shares issued to Ayala Land, Inc. in December 2022 in exchange of assets located in Cebu is currently pending with the PSE, while the application for listing of the 607,559,380 common shares issued to ALI, AyalaLand Malls, Inc., and Northbeacon Commercial Corp. in exchange for assets located in Makati and Pampanga approved by the Securities and Exchange Commission last September 20, 2023 will be filed with the PSE upon issuance of the Certificates Authorizing Registration by the Bureau of Internal Revenue.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]      No [ ]      **Not applicable**

**DOCUMENTS INCORPORATED BY REFERENCE**

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

2023 Audited Financial Statements (incorporated as reference for Items 6, 7 & 12 of SEC Form 17-A)

## TABLE OF CONTENTS

	<u>Page No.</u>
PART I - BUSINESS	
Item 1. Business	5
Item 2. Properties	8
Item 3. Legal Proceedings	11
Item 4. Submission of Matters to a Vote of Security Holders	11
PART II - SECURITIES OF THE REGISTRANT	
Item 5. Market for Issuer's Common Equity and Related Stockholder Matters	12
PART III - FINANCIAL INFORMATION	
Item 6. Management's Discussion and Analysis and Results of Operation	15
Item 7. Financial Statements	28
Item 8. Information on Independent Accountant and Other Related Matters	28
PART IV - MANAGEMENT AND CERTAIN SECURITY HOLDERS	
Item 9. Directors and Executive Officers of the Issuer	30
Item 10. Executive Compensation	35
Item 11. Security Ownership of Certain Beneficial Owners and Management	36
Item 12. Certain Relationships and Related Transactions	38
PART V - CORPORATE GOVERNANCE	
Item 13. Compliance with Leading Practice on Corporate Governance	51
EXHIBITS AND SCHEDULES	
Item 14. Exhibits and Reports on SEC Form 17-C	
(a) Exhibits	51
(b) Reports on SEC Form 17-C	51
(c) Reports under SEC Form 17-C files	52
(d) Material events subsequent to the end of the reporting period that have not been reflected in the financial statements of the reporting period	52
SIGNATURES	53
INDEX TO EXHIBITS	54
INDEX TO SUPPLEMENTARY SCHEDULES	55

## **PART I- BUSINESS**

### **Item 1. Business- Description of Business**

#### **Background**

AREIT, Inc. ("**AREIT or the Company**") is a real estate investment trust company established in the Philippines. Previously known as One Dela Rosa Property Development, Inc., the Company changed its name to AyalaLand REIT, Inc. on April 12, 2019. On June 28, 2019, the Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc. With its initial public offering on August 13, 2020, AREIT became the first Real Estate Investment Trust (REIT) in the country.

As of December 31, 2023, the Company is publicly-listed, with Ayala Land, Inc. (ALI) owning 43.33%, its wholly-owned subsidiaries, Ayalaland Malls, Inc. (ALMI), Ayalaland Offices, Inc. (ALOI), Northbeacon Commercial Corp. (NBCC), and Westview Commercial Ventures Corp. (WCVC) owning 12.12%, 4.07%, 2.34%, and 1.58%, respectively, and its affiliate, Glensworth Development, Inc. (GDI), a wholly-owned subsidiary of ALOI, owning 2.62%, and the rest by the public. AREIT is listed with a total of 2,368,606,573 outstanding common shares. AREIT has a total market capitalization of ₱79.11 billion based on the closing price of ₱33.40 per common share on December 29, 2023, the last trading day of the year.

AREIT is a REIT formed primarily to own and invest in an income-producing commercial portfolio of office, retail, and hotel properties in the Philippines, that meets its investment criteria. Primarily, AREIT is the commercial REIT platform for Ayala Land. As a commercial REIT, AREIT will focus on expanding its office, mall, and hotel properties. However, if the opportunity arises, AREIT may also explore other types of real estate properties available in the market. AREIT offers Shareholders an investment opportunity with a stable yield, opportunities for Gross Revenue and Net Operating Income growth, high-quality properties with strong tenant demand, strong Sponsor support from Ayala Land, experienced management with the incentive to grow the Company's Gross Revenue and Net Operating Income, and distribution of at least 90% of the Company's Distributable Income.

#### **Products/ Business Lines**

AREIT is engaged in the business of commercial leasing of primarily retail and office spaces. Most of the commercial office lease agreements for AREIT's properties are for tenancy periods of between five and ten years. Tenants of the properties typically pay a security deposit equal to three months' rent and advance rental payments equivalent to three months' rent upon handover of the leased premises or signing of the lease agreement, whichever comes first. Tenant of the properties generally pays monthly rent as well as a monthly service charge of the maintenance of the building and the upkeep of the common areas. AREIT collects rent mostly on a quarterly basis.

AREIT's properties have not historically experienced a high concentration of lease expiries. The properties enjoy very high occupancy levels and lease renewals and new leases are managed diligently in order to minimize void periods arising due to either lease expiries or early terminations. The properties are likewise occupied by high-quality office tenants that provide the properties with a stable tenant base.

#### **Distribution Methods of Services**

AREIT caters to retail and office tenants. As of December 31, 2023, commercial office space comprised approximately 63% of the total gross leasable area of the properties. The major tenants of the properties include major international corporations engaged in shared services, business process outsourcing, banking and finance, insurance, and healthcare and pharmaceuticals.

#### **Competition**

The real estate industry in the Philippines, particularly in Metro Manila, is a competitive market. The principal competitive factors include rental rates, quality and location of properties, and supply of comparable retail space.

The Properties are Grade A office buildings located in Makati City, Pasig City, Laguna, Cebu, and Bacolod and the Company competes with other commercial property operators, such as Megaworld, Filinvest, Robinsons Land, and SM Investments. The commercial property market in Metro Manila is highly competitive. While it primarily faces competition posted by major, existing property operators, it also faces threats of new players entering the real estate industry in Metro Manila.

Since the Company's listing in August 2020, six (6) other REITs registered and listed. As of December 31, 2022, the direct competitors of the Company are DDMP REIT, Inc. ("DDMPR"), Filinvest REIT Corp. ("FILRT"), RL Commercial REIT, Inc. ("RCR"), MREIT, Inc. ("MREIT"), Citicore Energy REIT Corp. ("CREIT"), and lastly, VistaREIT, Inc. ("VREIT"). DDMPR registered and listed as a REIT last March 24, 2021, FILRT was listed on August 12, 2021, RCR was listed on September 14, 2021, MREIT was listed on October 1, 2021, VREIT was listed on July 15, 2022, and lastly CREIT was listed on February 22, 2022.

The Company's principal competitive advantage is flexibility in the negotiation of commercial terms with customers. It is open to tenant negotiations on the length of the rent-free period or fit out period as well as rent escalation rates. The Company has also started to evolve its facilities to accommodate potential tenants, such as start-ups and SMEs, who desire shared working spaces. The Company believes that the rental rates it offers at the Properties are at par with comparable competitors.

Despite the high level of competition, the Company believes that the significant accumulated experience of the management teams of both the Fund Manager and the Property Manager in real estate development, leasing, and management, as well as the Ayala Land Group's understanding of local market preferences and conditions will enable the Company to compete effectively.

AREIT is the first REIT company registered and listed in the Philippines, and launched amidst the COVID-19 pandemic. As the pioneer REIT company in the Philippines, AREIT offers stable and sustainable earnings with a portfolio diversified across office, retail, hotel, and industrial land segments located across Metro Manila and the key provinces of Laguna, Cebu, and Bacolod.

### **Suppliers**

The Company has a broad base of suppliers, and is not dependent on one or a limited number of suppliers. Presently, the major suppliers of the Properties are primarily third-party companies in charge of particular building functions. These include manpower services, such as janitorial/housekeeping, technical maintenance, and security. The Company's contracts with these third-parties typically provide from 30-day to quarterly payment terms. These contracts are normally secured with a performance bond to be cancelled or released only upon performance of all contractual and statutory duties and obligations. Contractors are likewise required to obtain and maintain at their own expense and throughout the term of the contracts a Comprehensive General Liability Insurance issued by a reputable insurance company acceptable to the Company.

### **Customers**

AREIT's tenants include individual and institutional customers, which include major, international corporations engaged in shared services, business process outsourcing, banking and finance, insurance, healthcare and pharmaceuticals, serviced apartments and real estate leasing.

### **Transactions with related parties**

Please refer to Item 12 of this report ("Certain Relationships and Related Transactions).

### **Government approvals/regulations**

The Company secures various government approvals such as PEZA licenses, environmental compliance certificates, etc. as part of the ordinary course of its business.

### **Risks**

AREIT, Inc. is highly dependent on the performance of the Philippine property market since all its properties are located in the Philippines therefore directly affected by the risks that affect the Philippine property market as a whole.

Many factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties which may cause asset price bubbles, changes in interest rates, inflationary pressures, Government-related real estate policies such as lower loan-to-value ratios for commercial real estate loans and the BSP's tightening of policies related to real estate loans. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of AREIT's Properties and a decrease in our rental rates. Additionally, the Properties are currently all located in Metro Manila, Luzon and Metro Cebu, which subjects AREIT to the risk of a decline in land or real estate values.

There can be no assurance that the Philippine property market will continue to do well. Reduced levels of economic growth, adverse changes in the country's political or security conditions, or weaker performance of, or slowdown in, the national and local property markets may still adversely affect the demand and prices for real estate and the fact that many businesses and investors are still reeling from the impact of Covid 19 pandemic.

Our market risk is mitigated by our focus on Grade A commercial buildings located in prime locations. Our properties are mostly situated in CBDs which are the economic centers of the country and boasts the highest rental rates specially in Metro Manila. As such it is less susceptible to market fluctuations. In any event, we also take a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments.

Other more significant risks that the company may be exposed to are the following:

- Competition risk coming from other REIT entrants in the market
- Changes in policies and regulations including position of regulatory bodies and strict enforcement of said changes adverse to the property market
- Significant loss of key locators and tenants due to continuing pressures for cost efficiency, space rationalization as well as customer service experience or change in business

To mitigate these risks, AREIT shall continue to adopt appropriate risk management measures as well as conservative financial and operational controls and policies to manage the various business risks it faces, namely:

1. Continuous portfolio growth of quality assets in strong locations
2. Continued close coordination with technical working groups and regulatory bodies in addressing key or new laws and regulations affecting the company
3. Locking in early renewals and efforts for space retention together with diversification in tenant portfolios per asset and geography
4. Keeping track of service performance in property services through customer satisfaction or promoter's surveys

### **Working Capital**

AREIT finances its working capital requirements through internally generated cash.

## Item 2. Properties

- **Solaris One**, a 24-storey, Grade A, PEZA-accredited commercial building previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sqm. and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines.
- **Ayala North Exchange**, a Grade A, mixed-use development, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of 12-storey HQ 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. There are six levels of basement parking. Both office towers are PEZA-accredited. 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. The GLA of Ayala North Exchange is 95,300.35 sqm. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines.
- **McKinley Exchange**, a 5-storey Grade A, PEZA-accredited commercial building, which began operations in 2015, with GLA of 10,687.50 sq. m., 9,633.32 sqm. of which is designated for commercial office leasing, located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two (2) basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, AREIT entered a Contract of Lease with Ayala Land, Inc. for the lease of the commercial building.
- **Teleperformance Cebu**, a Grade A, PEZA-accredited commercial building, consists of two office towers, completed in 2011 with a combined GLA of 18,092.66 sqm located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- **The 30<sup>th</sup> Commercial Development**, a mixed-use development composed of a 19-storey PEZA-accredited office tower with GLA of 47,871 sqm supported by a four (4) storey retail podium with GLA of 26,833 sqm., located along Meralco Avenue in Pasig City.
- **Laguna Technopark Industrial Lots**, totaling 98,179 sqm, AREIT owns four parcels of industrial land located in Binan, Laguna, currently occupied by Integrated Micro-Electronics Inc. (IMI), under a long-term lease for its global manufacturing and technology solutions.
- **Vertis North Commercial Development**, a mixed-use development located in North Avenue, North Triangle, Quezon City, which consists of three (3) office towers situated on top a four (4)-storey retail podium known as Vertis North Commercial Development. The three (3) office towers consist of 19, 20, and 20-storeys, respectively. All office towers are PEZA-accredited business process outsourcing offices designed for 24/7 operations, and are Leadership in Energy and Environmental Design ("LEED")-certified. There are four (4) levels of basement parking. The retail podium was completed in 2017, while the office towers 1, 2, and 3 were completed in 2018, 2018, and 2019, respectively. The GLA of the retail podium is 39,305.76 square meters (sq. m.), while the office towers are composed of 125,507.39 sq. m. of GLA. The land on which Vertis North Corporate Center stands is being leased from Ayala Land, Inc.
- **One Evotech**, 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 37 years.
- **Two Evotech**, a 5-storey PEZA-accredited, BPO office designed for 24/7 operations, 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 37 years.



- **Bacolod Capitol Corporate Center**, 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 40 years.
- **Ayala Northpoint Technohub**, 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 ALL with a remaining term of 37 years.
- **BPI-Philam Life Makati**, 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.
- **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.
- **eBloc 1**, a twelve (12)-level, Philippine Economic Zone Authority (“PEZA”)-accredited office development, located in Cebu IT Park with gross leasable area of 20,841.90 square meters (sq.m).
- **eBloc 2**, a seventeen (17)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 27,727.33 sq.m.
- **eBloc 3**, a twelve (12)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 15,233.00 sq.m.
- **eBloc 4**, a twelve (12)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 16,166.63 sq.m.
- **ACC Tower**, a twenty (20)-level, PEZA-accredited office development, located in Ayala Center Cebu, Cebu Business Park with gross leasable area of 27,517.00 sq.m.
- **Tech Tower**, a twelve (12)-level, PEZA-accredited office development, located along Sumilon corner Camiguin Roads, Cebu City with gross leasable area of 16,812.74 sq.m.
- **Glorietta 1 and 2 Mall Wings**, a four (4)-storey commercial development with three (3) basement floors and equipment, redeveloped in 2013, located in Makati Commercial Center, San Lorenzo Village, Makati City with a gross floor area of [68,673.84] sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **Glorietta BPO 1 and 2**, a Philippine Economic Zone Authority (PEZA)-accredited office development composed of two (2) BPO buildings, Glorietta BPO 1 with seven (7) storeys and Glorietta BPO 2 with eight (8) storeys, and equipment located within the Makati Commercial Center, San Lorenzo Village, Makati City with a gross floor area of 60,632.84 sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **One Ayala East Tower**, a twenty-three (23)-level, PEZA-accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Barangay San Lorenzo, Makati City, with a gross floor area of 58,351.01 sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **One Ayala West Tower**, an eighteen (18)-level, PEZA-accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Barangay San Lorenzo, Makati City, with a gross floor area of 59,014.91 sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **Marquee Mall**, a three (3)-level, commercial development and equipment, located along Francisco G. Nepo Avenue, Angeles City, Pampanga with a gross floor area of 66,041.04 sq. m. The land on which the building stands is owned by Northbeacon Commercial Corp.

- **Seda Lio**, a one hundred fifty-three (153)-room resort-hotel with a total gross floor area of 17,680 square meters (sq.m.) and the surrounding amenities. The land on which the resort-hotel stands is owned by Econorth Hotel Ventures, Inc.

**Item 3. Legal Proceedings**

None of the directors or executive officers is involved in any material pending legal proceedings in any court or administrative agency.

As of December 31, 2023, the Company is not involved in any litigation regarding an event that occurred during the past five (5) years that it considers material.

**Item 4. Submission of Matters to a Vote of Security Holders**

Except for the matters taken up during the Annual Meeting of Stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

## PART II- SECURITIES OF THE REGISTRANT

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

#### Market Information

AREIT common shares are listed with the Philippine Stock Exchange.

	Philippine Stock Exchange Prices (in PhP/share)		
	<u>High</u>	<u>Low</u>	<u>Close</u>
	<u>2023</u>	<u>2023</u>	<u>2023</u>
First Quarter	32.85	32.25	32.65
Second Quarter	35.35	34.70	34.70
Third Quarter	32.80	32.10	32.80
Fourth Quarter	33.45	33.00	33.40

The market capitalization of AREIT, Inc as of end-2023, based on the closing price of ₱33.40/share, was approximately ₱79.11 billion.

The price information as of the close of the latest practicable trading date April 12, 2024 is ₱33.95 per share.

#### Stockholders

The Company has 27 registered stockholders as of March 15, 2024, and below are the top 20 stockholders:

	<b>Stockholder Name</b>	<b>No. of Common Shares</b>	<b>Percentage (of common shares)</b>
1.	Ayala Land, Inc.	1,003,837,015	42.3809%
2.	PCD Nominee Corporation (Filipino)	901,875,449	38.0762%
3.	Ayalaland Malls, Inc.	287,186,771	12.1247%
4.	PCD Nominee Corporation (Non-Filipino)	82,130,951	3.4657%
5.	Northbeacon Commercial Corporation	55,382,567	2.3438%
6.	Westview Commercial Ventures Corp.	37,443,313	1.5808%
7.	Emily Chua Catienza	175,000	0.0074%
8.	James Esteves Takano	120,000	0.0051%
9.	Beniya Antoinette Chua Catienza	115,000	0.0049%
10.	Group 168 Holdings Corporation	110,000	0.0046%
11.	Aniceto V. Bisnar and/or Ofelia O. Bisnar	109,400	0.0046%
12.	Han-Chun Chang	35,000	0.0015%
13.	NSJS Realty and Development Corp.	25,000	0.0011%
14.	Maria Victoria Romero San Pascual	24,000	0.0010%
15.	Sylvette Young Tankiang	13,100	0.0006%
16.	Alberto B. Guevara Jr. or Alberto F. Guevara III or Isabel F. Guevara	8,000	0.0003%
17.	Ivie Mae Dim Lao	5,000	0.0002%
18.	Mark Louie Apao	3,800	0.0002%
19.	Andres S. Vazquez-Prada	3,200	0.0001%
20.	Mary Therese R. Villanueva	2,800	0.0001%

A list of the company's top 100 stockholders as of December 31, 2023 can be found through this link:

[List of Top 100 Stockholders \(Common Shares\) \(pse.com.ph\)](https://pse.com.ph)

## Dividends

Per common share	2023 Cash Dividend	
	Record Date	Payment Date
0.52	March 10, 2023	March 24, 2023
0.52	May 31, 2023	June 16, 2023
0.53	August 30, 2023	September 13, 2023
0.55	December 1, 2023	December 15, 2023
0.55	March 4, 2024	March 20, 2024

## Dividend policy

The Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders are entitled to receive at least 90% of annual Distributable Income for the current year. For 2023, the Company declared total dividends amounting to ₱4,454.57 million representing 90.33% of the Distributable Income for the year 2023.

	2023
Net income	₱5,030,544,039
Unrealized gains:	
Unrealized gain on fair value change in investment properties	(99,254,883)
Distributable Income	₱ 4,931,289,155

For 2023, dividends declared were as follows:

Payment Date	Aggregate Amount Paid
June 16, 2023	915,744,541
September 13, 2023	933,355,0112
December 15, 2023	1,302,733,615
March 20, 2024	1,302,733,615
<b>Total Amount of Dividends Paid</b>	<b>4,454,566,783</b>
<b>% of Dividends to Distributable Income*</b>	<b>90.33%</b>

*\*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 (5<sup>th</sup>) month from the close of the taxable year, shall be considered as paid on the last day of such taxable year.*

Dividends were declared in accordance with the provisions of Section 42 of the Revised Corporation Code, specifically that dividends for prior years were taken from the unrestricted retained earnings of the Company.

The Company intends to maintain an annual cash dividend payout ratio of at least 90% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law, including but not limited to the requirement that the dividends shall be payable only from the unrestricted retained earnings as provided for under Section 42 of the Revised Corporation Code, among others, the terms and conditions of our outstanding loan facilities, and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, instances when there is a need for special reserves for probable contingencies.

The failure to distribute at least 90% of the annual Distributable Income will subject the Company, if such failure remains un-remedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by our Company may be disallowed as a deduction for purposes of determining taxable net income. Additionally, other tax incentives granted under the REIT Law may be revoked, and the failure to distribute at least 90% of the annual Distributable Income may be a ground to delist the Company from the PSE.

Over the last three years, the Company has distributed at least 90% of the distributable income.

<b>Year</b>	<b>Dividends</b>	<b>Distributable Income</b>	<b>% of Dividends</b>
2021	2,042,541,446	2,219,001,086	92.05%
2022	3,118,754,323	3,436,517,020	90.75%
2022	4,454,566,783	4,931,289,156	90.33%

### **Recent Sale of Securities**

The Company has not sold or issued any exempt securities to the public.

### **Corporate Governance**

- i. The evaluation system which was established to measure or determine the level of compliance of the Board and top-level management with its Revised Manual of Corporate Governance includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer. The Integrated Annual Corporate Governance (I-ACGR) of AREIT will be submitted to the SEC on or before May 30, 2024.
- ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.
- iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.
- iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

## **PART III- FINANCIAL INFORMATION**

### **Item 6. Management's Discussion and Analysis and Results of Operation**

#### **Review of FY 2023 operations vs FY 2022**

The Company's net income increased by 74% from ₱2,887.56 million in 2022 to ₱5,030.54 million in 2023. Net income before net fair value change in investment increased by 43% from ₱3,436.52 million in 2022 to ₱4,931.29 million in 2023. The increase was mainly due to income from additional properties acquired in 2022 and 2023.

#### **Revenues**

Total revenues increased by 41% from ₱5,072.85 million in 2022 to ₱7,140.34 million in 2023. This was contributed by higher rental income and net dues from the additional properties acquired in fourth quarter of 2022 and third quarter of 2023.

Rental income increased by 43% from ₱3,807.53 million in 2022 to ₱5,438.89 million in 2023. The increase was primarily attributable to the additional properties, namely, Ebloc Towers 1 to 4, ACC Tower, and Tech Tower, which the company acquired in the fourth quarter of 2022 and One Ayala West and East Towers, Glorietta 1 and 2 BPO, Glorietta 1&2 Mall, and Marquee Mall, acquired in the third quarter of 2023.

Dues increased by 20% from ₱1,042.99 million in 2022 to ₱1,250.61 million in 2023. The increase was driven by the operations of new assets acquired in 2022 and 2023.

Interest income from finance lease increased by 103% from ₱222.32 million in 2022 to ₱450.83 million in 2023. The increase was mainly due to the newly executed lease contracts between the Company and AyalaLand Malls, Inc. ("ALMI") for the building lease of Glorietta 1&2 mall and between the Company and Northbeacon Commercial Corp. ("NBCC") for the building lease of Marquee Mall, both of which commenced on July 1, 2023.

#### **Cost and Expenses**

Direct operating expenses increased by 45% from ₱1,359.80 million in 2022 to ₱1,978.49 million in 2023. The increase is in line with the increase in rental income due to additional properties acquired by the Company.

General and administrative expenses increased by 59% from ₱79.49 million in 2022 to ₱126.35 million in 2023, mainly due to additional provisions for doubtful accounts.

#### **Other income (charges)**

Interest Income increased by 290% from ₱34.33 million in 2022 to ₱133.83 million in 2023. The increase was mainly due to higher interest income from intercompany loans, which increased from ₱33.71 million in 2022 to ₱128.50 million in 2023.

Interest expense and other charges increased by 2% from ₱231.24 million in 2022 to ₱236.97 million in 2023. Interest expense on loans recognized amounted to ₱93.94 million and ₱100.25 in 2023 and 2022, respectively, interest expense from finance lease amounting to ₱84.13 million and ₱81.83 million in 2023 and 2022, respectively and accretion of security deposit amounting to ₱34.78 million in 2023 and ₱26.29 million in 2022.

Other charges amounted to ₱24.12 million in 2023 and ₱22.88 million in 2022. This mainly pertain to amortization of bond issue costs.

#### **Net Fair Value Change in Investment Property**

In 2023, the Company recognized an increase in fair value in investment properties of ₱99.25 million and a reduction of (₱548.95 million) in 2022.

**Provision for Income Tax**

Provision for income tax, the Company started to avail of its tax incentive as REIT after its listing in August 2020. As of December 31, 2022 and 2021, deferred tax assets and liabilities are recognized based on effective income tax rate of 0% under REIT law. The Company recognized final tax from interest income earned from banks amounting to ₱1.07 million and ₱0.12 million in 2023 and 2022, respectively.

**Capital Expenditure**

The Company has no material commitments for capital expenditures.



**Property Performance as of Dec 31, 2023**

Property	Location	Valuation Date	Valuation cost <sup>1</sup> (in Pesos, millions)	Total gross leasable area (GLA) (in sq.m)	Occupied GLA (in sq.m)	Occupancy rate	Remaining Land lease term	Rental Income <sup>2</sup> (in Pesos, millions)	Gross Revenues (in Pesos, millions)
Solaris	Makati	Dec 2023	7,056	46,768	45,740	98%	25	636	734
Ayala North Exchange	Makati	Dec 2023	9,744	95,314	86,086	90%	35	793	1,035
MECC	Makati	Dec 2023	1,720	10,688	10,117	95%	31	131	178
TP Cebu	Cebu	Dec 2023	1,827	18,093	18,093	100%	28	164	210
The 30th	Pasig	Dec 2023	4,659	74,704	74,704	100%	33	403	548
Laguna Technopark Land	Laguna	Dec 2023	1,489	98,179	98,179	100%	n/a	82	90
Vertis	Quezon City	Dec 2023	16,353	164,450	163,971	100%	34	1,168	1,539
BPI- Philam Makati	Makati	Dec 2023	178	1,072	660	62%	n/a	-	0
BPI- Philam Alabang	Muntinlupa	Dec 2023	27	551	551	100%	n/a	6	9
Bacolod Capitol	Negros Occidental	Dec 2023	783	11,313	11,313	100%	38	68	89
Ayala Northpoint	Negros Occidental	Dec 2023	318	4,654	4,654	100%	35	26	31
Evotech	Laguna	Dec 2023	2,833	23,727	23,727	100%	35	184	287
eBloc Towers 1 to 4	Cebu	Dec 2023	7,890	79,640	78,499	99%	35	614	858
ACC Tower	Cebu	Dec 2023	2,024	27,458	26,365	96%	35	202	208
Tech Tower	Cebu	Dec 2023	1,011	16,273	12,852	79%	35	85	100
One Ayala West and East Towers	Makati	Dec 2023	12,854	70,995	69,978	99%	41	532	666
Glorietta 1&2 BPOs and Mall	Makati	Dec 2023	8,389	108,790	108,365	100%	36	259	467
Marque Mall	Pampanga	Dec 2023	2,070	66,041	66,041	100%	25	-	90

<sup>(1)</sup> Valuation based on latest appraisal reports using Income approach and does not include portion of ANE Seda, The 30th Mall, Vertis Mall, Glorietta 1&2 Mall, and Marque Mall which are accounted for under finance lease

<sup>(2)</sup> Exclusive of interest income from finance lease

## **Summary of Real Estate Transactions for 2023**

On September 20, 2023, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI, ALMI and NBCC to 607,559,380 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 02 June 2023.

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 20 September 2023 so that the recognition of income from the new assets will accrue to AREIT beginning 01 July 2023.

## **Financial Condition**

The Company's balance sheet remains healthy to support the financial and operational requirements during this period.

As of December 31, 2023, the Company's total borrowings registered at ₱3.0 billion which translated to a debt-to-equity ratio of 0.04:1.

Return on equity was at 7% as of December 31, 2023.

<b>Key Financial Ratios</b>	<b>2023</b>	<b>2022</b>
Current Ratio <sup>(1)</sup>	0.90	0.43
Debt to Equity <sup>(2)</sup>	0.04	0.05
Profitability Ratios		
Return on Asset <sup>(3)</sup>	6%	5%
Return on Equity <sup>(4)</sup>	7%	5%
Asset to Equity Ratio <sup>(5)</sup>	1.12	1.13
<i>(1) Current assets/current liabilities</i>		
<i>(2) Total debt/Average Stockholder's equity</i>		
<i>(3) Total Net Income/Total Average Assets</i>		
<i>(4) Total Net Income/Average Stockholder's equity</i>		
<i>(5) Total asset/Total Stockholder's equity</i>		

- The Company's fixed-rate bond expired on December 28, 2023. This was refinanced through availment of a short- term bank loan. To manage liquidity risk, the Company has available credit lines with various banks amounting to P23.0 billion. The Company may also refinance its loan and manage the payment terms for its payables.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- No known trend, event, or uncertainty has had or is reasonably expected to materially impact the net sales, revenues, or income from continuing operations.
- There is no significant element of income arising from continuing operations.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- No known events and uncertainties will trigger direct or contingent financial obligation material to the Company, including any default or acceleration of an obligation.

- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **For Year Ended December 31, 2023 versus For Year Ended December 31, 2022**

The Company ended a net decrease in cash of ₱20.99 million for the year ended December 31, 2023.

Net cash flows provided by operating activities amounted to ₱6,537.79 million and ₱3,933.43 million for the year ended December 31, 2023 and 2022, respectively. The increase is mainly due to higher collections contributed by additional properties.

Cash flows used in Investing activities amounted to ₱1,936.75 million and ₱263.05 million for the year ended December 31, 2023 and 2022, respectively. The increase mainly due to higher due from related parties and additions to investment properties.

Cash flows used in Financing activities amounted to ₱4,622.03 and ₱3,699.64 million for the year ended December 31, 2023 and 2022. This pertains mainly to dividends and short-term loans.

### **Causes for any material changes (+/- 5% or more) in the financial statements**

#### **Assets**

Cash decreased by 33%, primarily due to cash flows used in investing and financing activities, such as repaying short-term loans and paying dividends.

Receivables—current and noncurrent portion—increased by 169%, mainly due to additional properties. Higher finance lease receivables were contributed by the newly executed contracts for the building leases of Glorietta 1&2 Mall and Marquee Mall.

Other current assets increased by 14% due to higher input VAT classified as current.

Investment properties increased by 29% mainly due to the acquisition of additional properties namely, One Ayala East and West Towers, Glorietta 1&2 BPO and Mall, and Marquee mall.

Property and equipment increased by 76% due to the acquisition of new office equipment.

Other noncurrent assets decreased by 5% due to lower input VAT classified as noncurrent.

#### **Liabilities**

The outstanding short-term loans amounted to ₱3.0 billion as of December 31, 2023.

Accounts and other payables increased by 100%, mainly due to additional payables from additional properties.

The current portion of deposits and other liabilities increased by 23%, mainly due to additional deposits from newly acquired assets.

The current portion of lease liability increased by 8%. The total cash outflow related to leases amounted to ₱53.90 million and ₱49.23 million in 2023 and 2022, respectively, composed of principal payment and interest on lease liabilities.

Construction bonds amounted to ₱95.69 million as of December 31, 2023. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

The noncurrent portion of deposits and other liabilities increased by 90%, mainly due to increased security deposit and advance rent from the tenants of newly acquired properties.

## **Equity**

Total equity of ₱83,409.84 million as of December 31, 2023, 39% higher than December 31, 2022 at ₱60,072.89 million, due to increase in paid-up capital from ₱17,610.47 million in 2022 to ₱24,359.37 million in 2023, increase in additional paid-in capital from ₱20,021.65 million in 2022 to ₱36,320.03 million in 2023. Retained earnings increased from ₱22,440.77 million in 2022 to ₱23,403.74 million in 2023.

## **Review of FY 2022 operations vs FY 2021**

The Company's net income before net fair value change in investment properties and gain under finance lease increased by 55% from ₱2,219.00 million in 2021 and ₱3,436.52 million in 2022. The increase was mainly due to income from additional properties acquired in 2021 and 2022, as well as rental escalations. The Company's net income after tax increased by 19% from ₱2,433.27 million in 2021 to ₱2,887.56 million in 2022.

## **Revenues**

Total revenues increased by 53% from ₱3,316.46 million in 2021 to ₱5,072.85 million in 2022. This was mainly driven by higher rental income and net dues.

*Rental Income* increased by 52% from ₱2,506.91 million in 2021 to ₱3,807.53 million in 2022. The increase was primarily attributable to the addition of Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU, which were added to the Company's portfolio in October 2021 and Ebloc Towers 1 to 4, ACC Tower and Tech Tower in October 2022.

*Dues* increased by 68% from ₱621.01 million in 2021 to ₱1,042.99 million in 2022. The increase was attributable to the operations of new assets acquired in October 2021 and 2022.

*Interest income from finance lease*, increased by 18% from ₱188.55 million in 2021 and ₱222.32 million in 2022. This is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019 and long-term leases of North Eastern Commercial Corp with the Company, for The30th Mall which commenced in January 1, 2021 and October 1, 2021 for Vertis Mall.

## **Net Fair Value Change in Investment Property**

In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity.

In 2022, the Company recognized a reduction in fair value in investment properties of (₱548.95 million) and an increase of ₱164.50 million in 2021.

## **Cost and Expenses**

*Direct operating expenses* increased by 67% from ₱815.87 million in 2021 to ₱1,359.80 million in 2022. The increase was primarily attributable to an increase in taxes and licenses of ₱158.50 million, increase in management fee of ₱130.78 million, increase in land lease of ₱93.07 million, increase in repairs and

maintenance of ₱82.07 million and increase in outside services of ₱55.12 million. These increases were related to the operations of additional properties acquired in October 2021 and 2022.

*General and administrative expenses* decreased by 23%, from ₱103.40 million to ₱79.49 million mainly due to lower taxes related to loans.

### **Other Income (charges)**

*Gain under finance lease* amounted to ₱49.76 million in 2021. In January 2021, the Company entered into a long-term building leases agreement with North Eastern Commercial Corp. for the lease of retail podiums in The 30th and Vertis developments. North Eastern Commercial Corp. (NECC) is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. The Company remains to be the legal owner of the portion of the building under finance lease.

*Interest Income* increased by 376% from ₱7.21 million in 2021 to ₱34.33 million in 2022. The increase was mainly due to the increase in interest income from intercompany loans from ₱6.97 million in 2021 to ₱33.71 million in 2022.

*Interest expense* increased by 25% from ₱169.82 million in 2021 to ₱208.37 million in 2022. Interest expense on loans recognized amounted to ₱98.55 million and ₱58.59 in 2022 and 2021, respectively, interest expense from finance lease amounting to ₱81.83 million and ₱63.01 million in 2022 and 2021, respectively and accretion of security deposit amounting to ₱26.29 million in 2022 and ₱24.87 million in 2021.

*Other charges* amounted to ₱22.88 million in 2022 and ₱15.54 million in 2021, this pertains to amortization of bond issue cost and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

*Other income* amounted to ₱0.10 million in 2021, which pertains to income earned from interest and penalties arising from late payments.

### **Provision for Income Tax**

*Provision for income tax*, the Company started to avail of its tax incentive as REIT after its listing in August 2020. As of December 31, 2022 and 2021, deferred tax assets and liabilities are recognized based on effective income tax rate of 0% under REIT law. The Company recognized final tax from interest income earned from banks amounting to ₱0.12 million and ₱0.05 million in 2022 and 2021, respectively.

### **Capital Expenditure**

The Company has no material commitments for capital expenditures.

### **Summary of Real Estate Transactions for 2022**

On December 29, 2022, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI to 252,136,383 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 19 May 2022.

In line with this, the parties have executed an Amendment to Section 4.3 of the Deed of Exchange on 29 December 2022 so that the recognition of income from the new assets will accrue to AREIT beginning 01 October 2022.

## **Financial Condition**

The Company's balance sheet remains healthy to support the financial and operational requirements during this period.

As of December 31, 2022, the Company's total borrowings registered at ₱3.28 billion which translated to a debt-to-equity ratio of 0.05:1.

Return on equity was at 5% as of December 31, 2022.

<b>Key Financial Ratios</b>	<b>2022</b>	<b>2021</b>
Current Ratio <sup>(1)</sup>	0.43	0.67
Debt to Equity <sup>(2)</sup>	0.05	0.08
Profitability Ratios		
Return on Asset <sup>(3)</sup>	5%	6%
Return on Equity <sup>(4)</sup>	5%	5%
Asset to Equity Ratio <sup>(5)</sup>	1.13	1.16

*(1) Current assets/current liabilities*

*(2) Total debt/Average Stockholder's equity*

*(3) Total Net Income/Total Average Assets*

*(4) Total Net Income/Average Stockholder's equity*

*(5) Total asset/Total Stockholder's equity*

## **LIQUIDITY AND CAPITAL RESOURCES**

### **For Year Ended December 31, 2022 versus For Year Ended December 31, 2021**

The Company ended a net decrease in cash of ₱29.26 million for year ended December 31, 2022, mainly from cash used in financing activities.

*Net cash flows provided by operating activities* amounted to ₱3,933.43 million and ₱2,210.58 million for the year ended December 31, 2022 and 2021, respectively. The increase mainly due to higher collections contributed by additional properties.

Cash flows used in *Investing activities* used amounted to ₱263.05 million and ₱4,137.57 million for the year ended December 31, 2022 and 2021, respectively. The higher disbursement in 2021 is due to the payment for additions to investment properties.

Cash flows used in *Financing activities* used amounted to ₱3,699.64 million in 2022 mainly due to payment of dividends and short-term loans. Cash flows ~~and~~ provided by financing activities in 2021 amounting to ₱1,960.02 million mainly due to net proceeds from long-term debt.

*Net decrease in cash* as of December 31, 2022 resulted to ₱29.26 million.

### ***Causes for any material changes (+/- 5% or more) in the financial statements***

#### **Assets**

*Cash* decreased by 32% primarily due to cash flows used in financing activities for repayment of short-term loan.

*Receivables- current* increased by 45% mainly due to additional properties.

*Other current assets* increased by 41% due to higher input VAT classified as current.

*Investment properties* went up by 22% mainly due to the acquisition of Cebu properties namely, eBloc Towers 1 to 4, ACC Tower, and Tech Tower.

*Property and equipment* went up by 93% due to the acquisition of new office equipment.

*Other noncurrent assets* decreased by 8% due to lower input vat classified as noncurrent.

## **Liabilities**

*Short-term loans*, the outstanding short-term loans amounted to ₱3,277.69 million as of December 31, 2022. The ₱3.00 billion of which pertains to fixed rate bonds due on Dec 2023 at a rate equivalent to 3.0445% p.a. while the remaining loan pertains to unsecured and interest-bearing 30-day loans from various local banks with an interest rate of 5.5%

*Accounts and other payables*, increased by 101%, mainly due to additional payables from additional properties.

*Current portion of deposits and other liabilities* decreased by 28%, mainly due to lower advance payments from tenants.

*Current portion of lease liability* increased by 17%. The total cash outflow related to leases amounted to ₱49.23 million and ₱37.18 million in 2022 and 2021, respectively composed, of principal payment and interest on lease liabilities.

*Construction bonds*, amounted to ₱98.58 million as of December 31, 2022. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

*Noncurrent portion of deposits and other liabilities*, increased by 13%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

## **Equity**

*Total equity* of ₱60,072.89 million as of December 31, 2022, 23% higher than December 31, 2021 at ₱48,887.59 million, due to increase in paid-up capital from ₱15,089.11 million in 2021 to ₱17,610.47 million in 2022, increase in additional paid-in capital from ₱11,333.07 million in 2021 to ₱20,021.65 million in 2022. Retained earnings decreased from ₱22,465.41 in 2021 to ₱22,441 in 2022 due to the reduction in fair value of investment properties.

In 2021, the Company voluntarily changed its accounting policy for its investment properties from cost model to fair value model of accounting which was applied retrospectively. Amounts presented in the audited statement of financial position as of December 31, 2021 and 2020 and audited statement of comprehensive income for the years ended December 31, 2021, 2020 and 2019 were restated to reflect the impact of the change in accounting policy.

## **Review of 2021 operations vs 2020**

The Company's net income before change in fair value and reversal of deferred tax increased by 56% from ₱1,452.71 million in 2020 and ₱2,268.76 million in 2021. The increase was mainly due to income from additional properties acquired in 2021. The Company's net income after tax decreased by 61% from ₱6,264.81 million in 2020 to ₱2,433.27 million in 2021. The decrease was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

## Revenues

Total revenues increased by 63% from ₱2,035.92 million in 2020 to ₱3,316.46 million in 2021. This was mainly driven by higher rental income and net dues.

*Rental Income* increased by 68% from ₱1,495.72 million in 2020 to ₱2,506.91 million in 2021. The increase was primarily attributable to the addition of The 30<sup>th</sup> and Laguna Technopark lots in January 2021 and addition of Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU, which were added to the Company's portfolio in October 2021.

*Dues* increased by 59% from ₱389.38 million in 2020 to ₱621.01 million in 2021. The increase was attributable to the operations of new assets acquired in 2021.

*Interest income from finance lease*, increased by 25% from ₱150.81 million in 2020 and ₱188.55 million in 2021. This is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019 and long-term leases of North Eastern Commercial Corp with the Company, for The30th Mall which commenced in January 1, 2021 and October 1, 2021 for Vertis Mall.

## Net Fair Value Change in Investment Property

In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity.

In 2021, the Company recognized a net fair value change in investment property of ₱164.50 million and ₱1,424.65 million in 2020.

## Cost and Expenses

*Direct operating expenses* increased by 84% from ₱444.07 million in 2020 to ₱815.87 million in 2021. The increase was primarily attributable to an increase in management fee of ₱169.44 million, an increase in taxes and licenses of ₱65.11 million, increase in land lease of ₱58.41 million, increase in repairs and maintenance of ₱45.21 million and increase in outside services of ₱23.25 million. These increases were related to the operations of additional properties acquired in 2021.

*General and administrative expenses* increased by 109%, from ₱49.47 million to ₱103.40 million mainly due to provision for probable losses amounting to ₱33.00 million in 2021 and increase in provision for doubtful accounts of ₱15.27 million.

## Other Income (charges)

*Gain under finance lease* amounted to ₱49.76 million in 2021. In January 2021, the Company entered into a long-term building leases agreement with North Eastern Commercial Corp. for the lease of retail podiums in The 30th and Vertis developments. North Eastern Commercial Corp. (NECC) is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. The Company remains to be the legal owner of the portion of the building under finance lease.

*Interest Income* decreased by 91% from ₱78.67 million in 2020 to ₱7.21 million in 2021. The decrease was mainly due to the decrease in interest income from intercompany loans from ₱78.31 million in 2020 to ₱6.97 million in 2021.

*Interest expense* increased by 160% from ₱65.42 million in 2020 to ₱169.82 million in 2021. The increase was primarily attributable to the recognition of interest expense on loans amounting to ₱81.94 million in 2021, interest expense from finance lease amounting to ₱63.01 million and ₱51.49 million in 2021 and 2020, and accretion of security deposit amounting to ₱24.87 million in 2021 and ₱13.93 million in 2020.



*Other charges* amounted to ₱15.64 million in 2021 pertains to amortization of bond issue cost amounting to ₱0.18 million and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

*Other income* decreased by 97% from ₱3.66 million in 2020 to ₱0.10 million in 2021. This pertains to income earned from interest and penalties arising from late payments.

### **Provision for Income Tax**

*Provision for income tax*, the Company recognized a tax benefit in 2020 amounting to ₱3,280.88 and tax payable of ₱0.05 million in 2021. The 2020 tax benefit is a result of the restatement of 2020 balances following the change to fair value accounting. The Company started to avail of its tax incentive as REIT after its listing in August 2020. As of December 31, 2021 and 2020, deferred tax assets and liabilities are recognized based on effective income tax rate of 0% under REIT law.

### **Capital Expenditure**

AREIT acquired parcels of land in Laguna Technopark from Technopark Land, Inc. on January 5, 2021 for a total amount of ₱987.98 million VAT exclusive. The Company also acquired the 30th from Ayala Land, Inc. on January 15, 2021 for a total amount of ₱4,564.34 million VAT exclusive.

The Company has no material commitments for capital expenditures.

### **Summary of Real Estate Transactions for 2021**

On January 5, 2021, AREIT entered into a Deed of Absolute Sale with Technopark Land, Inc. to acquire 98,179 sq.m. of land for ₱1.1 billion (VAT-inclusive) located in Laguna Technopark is being leased by Integrated Micro-Electronics, Inc. for its manufacturing operations. The price was derived from a third-party valuation, using the market approach with a yield of 6.28% based on total acquisition cost.

On January 15, 2021, AREIT entered into a Deed of Sale with Ayala Land Inc. for the acquisition of The 30th for ₱5.1 billion (VAT-inclusive). The price was derived from a third-party valuation, using the income approach with an EBITDA yield of 6.1% based on total acquisition cost. The Property is located along Meralco Avenue in Pasig City, which has a building with a total GLA of 74,704 sq.m. composed of an office tower and a retail podium.

On October 7, 2021, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI and its subsidiaries, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 08 June 2021.

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 07 October 2021 so that the recognition of income from the new assets will accrue to AREIT beginning 01 October 2021, instead of 01 November 2021.

### **Financial Condition**

The Company's balance sheet remains healthy to support the financial and operational requirements during this period.

As of December 31, 2021, the Company total borrowings registered at ₱3.85 billion which translated to a debt-to-equity ratio of 0.08:1.

Return on equity was at 5% as of December 31, 2021.

<b>Key Financial Ratios</b>	<b>2021</b>	<b>2020</b>
Current Ratio <sup>(1)</sup>	0.67	3.55
Debt to Equity <sup>(2)</sup>	0.08	-
Profitability Ratios		
Return on Asset <sup>(3)</sup>	6%	21%
Return on Equity <sup>(4)</sup>	5%	19%
Asset to Equity Ratio <sup>(5)</sup>	1.16	1.07

<sup>(1)</sup> Current assets/current liabilities

<sup>(2)</sup> Total debt/Average Stockholder's equity

<sup>(3)</sup> Total Net Income/Total Average Assets

<sup>(4)</sup> Total Net Income/Average Stockholder's equity

<sup>(5)</sup> Total asset/Total Stockholder's equity

### **Year ended December 31, 2021 compared to year ended December 31, 2020 (Restated)**

#### **Assets**

Cash increased by 56% primarily due to additional net cash flow from operations of the newly acquired properties in 2021.

Receivables- current decreased by 44% mainly due to decreased in due from related parties.

Other current assets decreased by 34% due to lower input vat classified as current.

Receivable- noncurrent increased by 40% due to additional finance lease receivable from leases of NECC with the Company.

Investment properties went up by 72% mainly due to the acquisition of the 30<sup>th</sup> development, parcels of land in Laguna Technopark, Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU.

Property and equipment went up by 2470% due to the acquisition of new office equipment.

Other noncurrent assets increased by 65% due to higher input VAT brought by acquisition new assets.

#### **Liabilities**

Short-term loans, the Company obtained short-term loans from various local banks during the period. The outstanding short-term loans amounting to ₱890 million as of December 31, 2021, pertains to unsecured and interest bearing 30-day loans with average interest rate of 2.11%.

Current portion of deposits and other liabilities increased by 468%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

Current portion of lease liability increased by 25%. The total cash outflow related to leases amounted to ₱37.18 million composed of principal payment and interest on lease liabilities.

Construction bonds, amounted to ₱58.58 million as of December 31, 2021. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

*Long-term debt*, the Company issued a total of ₱3.00 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. Transaction costs capitalized amounted to ₱42.70 million in 2021. Amortization amounted to ₱0.18 million in 2021 and included under “Other charges”.

*Noncurrent portion of deposits and other liabilities*, increased by 79%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

*Noncurrent portion of lease liability*, increased by 33% due to additional lease liability for the lease agreements entered into by the Company related to land leases of One and Two Evotech and Bacolod Capitol. The rent is payable at a fixed monthly rate, subject to annual escalation rate.

## **Equity**

*Total equity* of ₱48,887.59 million as of December 31, 2021, 49% higher than December 31, 2020 at ₱32,807.75 million, due to increase in paid-up capital from ₱10,929.86 million in 2020 to ₱15,762.41 million in 2021, increase in additional paid-in capital from ₱785.68 million in 2020 to ₱11,333.07 million in 2021 and increase in retained earnings from net income contribution of ₱2,433.27 million for the period, reduced by dividend payments amounting to ₱1,733.36 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **For Year Ended December 31, 2021 versus For Year Ended December 31, 2020**

The Company ended a net increase in cash of ₱33.03 million for year ended December 31, 2021, mainly from cash generated from operations contributed by additional properties.

*Net cash flow from operating activities* amounted to ₱2,145.01 million and ₱1,527.34 million for the year ended December 31, 2021 and 2020, respectively. The increase mainly due to higher collections from operations and related security deposits and advance rents of the newly-acquired properties.

*Investing activities* used ₱4,137.57 million and ₱1,827.11 million for the year ended December 31, 2021 and 2020, respectively. Increase was mainly due to acquisition of The30th development and Laguna Technopark lots.

*Financing activities* provided ₱2,025.59 million and ₱236.56 million for the year ended December 31, 2021 and 2020. Mainly from the proceeds from short-term and long-term loans.

*Net increase in cash* as of December 31, 2021 resulted to ₱33.03 million which is ₱96.23 million higher than ₱63.20 million net decrease in cash as of December 31, 2020.

## Item 7. Financial Statements

The 2023 Audited Financial Statements of the Company are incorporated in the accompanying Index to Exhibits.

## Item 8. Information on Independent Accountant and Other Related Matters

### Independent Public Accountants

- (a) The principal accountant and external auditor of the Company for the ensuing fiscal year, 2024 and recommended for appointment of the stockholders during the annual stockholders meeting is the accounting firm of Isla Lipana & Co. (PwC Philippines) (“Isla Lipana”).
- (b) Isla Lipana acted as the principal accountant of the Company for the most recently completed fiscal year.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Isla Lipana as external auditor, and Ms. Ruth F. Blasco was the Partner-in-Charge for the audit year 2023.

- (c) Representatives of Isla Lipana for the current year are expected to participate at the annual stockholders’ meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the General Requirements of SRC rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Isla Lipana as external auditor for the audit year 2024.

- (d) **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company has engaged the services of Isla Lipana during the most recent fiscal year, and SGV & Co. for the audit year 2022. There were no disagreements with either external auditor on any matter of accounting and financial disclosure.

#### (a) Audit and Audit- Related Fees

AREIT paid its external auditor Isla Lipana for the audit year 2023 and SGV & Co. for the audit year 2022 the following fees (in Php million; inclusive of out-of-pocket expenses and VAT):

Year	Audit & Audit-related Fees	Tax Fees	Other Fees
2023	940,800.00	-	66,000.00
2022	940,800.00	-	60,480.00

Under paragraph 3.4 (a) of the AREIT Audit Committee Charter, the Audit Committee recommends to the Board the appointment of the external auditor and the audit fees.

Under paragraph 3.4 (b) of the AREIT Audit Committee Charter, the Audit Committee (composed of Enrico S. Cruz, Chairman, Omar T. Cruz and Augusto D. Bengzon, members) approves the audit services rendered by the external auditor to ensure that these do not impair the external auditor’s independence. The approval of the audit-related and non-audit services of the external auditor is delegated to management, subject to the Company’s Policy on Non-Audit Services.

**(b) Tax Fees**

For 2023, the Company engaged Isla Lipana for tax consulting services and professional assistance (non-audit services) in connection with the application for Certificates Authorizing Registration (eCAR) for the infusion of assets implemented in 2023.

**(c) Other Fees**

For 2023 and 2022, other fees were paid to SGV which pertains to services rendered during the annual stockholders meeting in connection with the validation of votes.

## PART IV- MANAGEMENT AND CERTAIN SECURITY HOLDERS

### Item 9. Directors and Executive Officers

The write-ups below include positions held as of December 31, 2023 and in the past five years, and personal data as of December 31, 2023 of directors and executive officers.

#### Incumbent Board of Directors

Anna Ma. Margarita Bautista Dy, Chairman of the Board  
Carol T. Mills, President and Chief Executive Officer  
Bernard Vincent O. Dy  
Augusto D. Bengzon  
Mariana Beatriz Zobel de Ayala  
Omar T. Cruz  
Enrico S. Cruz  
Sherisa P. Nuesa

**Anna Maria Margarita Bautista Dy**, Filipino, 54, is the Chairman of the Board. She is currently the President and Chief Executive Officer of Ayala Land, Inc. effective October 1, 2023. Previously, she held the position of Executive Vice President from January 1, 2023 until September 30, 2023. She was Senior Vice President from January 1, 2015 until December 31, 2022 and a member of the Management Committee of Ayala Land, Inc. (ALI) since August 2008. She is the Head of the Residential Business Group of ALI effective July 1, 2022 and Head of the Malls Group effective January 1, 2023. Her other significant positions are: Chairman of Amaia Land Corp., Amaia Southern Properties, Inc., Avencosouth Corp., Altaraza Development Corporation, Amicassa Process Solutions, Inc., Ayalaland-Tagle Properties, Inc., Ayalaland Premier, Inc., Ayala Land International Sales, Inc., Avida Land Corp., Alveo Land Corp., Ayala Property Management Corporation, Bellavita Land Corp., BGWest Properties, Inc., BGNorth Properties, Inc., Cagayan de Oro Gateway Corp., Solinea, Inc., Portico Land Corp. and Vesta Properties Holdings, Inc.; Vice Chairman of Aurora Properties, Inc., CECI Realty, Inc. and Ayala Greenfield Development Corporation; President and Chief Executive Officer of Berkshires Holdings, Inc., Columbus Holdings, Inc., Emerging City Holdings, Inc., Fort Bonifacio Development Corporation and Bonifacio Land Corporation; President of AKL Properties, Inc.; and Director of Accendo Commercial Corp., Alveo-Federal Communities, Inc., ALI Eton Property Development Corporation, Nuevocentro, Inc. and Serendra, Inc. Prior to joining ALI, she was a Vice President of Benpres Holdings Corporation. She graduated magna cum laude from Ateneo De Manila University with BS of Arts Degree in Economics Honors Program in 1990. She earned her Master's degree in Economics from London School of Economics and Political Science in 1991 and MBA at Harvard Graduate School of Business Administration in Boston in 1996.

**Carol T. Mills**, Filipino, 51, has served as the Company's President since February 10, 2014 and President and Chief Executive Officer since April 4, 2019. She is a Vice President of Ayala Land, Inc. and President of Ayala Land Offices, Inc. She is Chairman of various Ayala Land Offices subsidiaries namely UP North Property Holdings, Inc., First Gateway Real Estate Corp., Glensworth Development Inc., Hillsford Property Corp., Makati Cornerstone Leasing Corp. and Sunnyfield E-Office Corp., as well as Director of ALI Capital Corp. and DirectPower Services, Inc. She joined ALI in 1993 and prior to her current position, she was Deputy Head of Business Development for Ayala Malls from 2008 to 2013, General Manager for Alabang Town Center from 2004 to 2008, and Operations Manager for Glorietta from 2000 to 2004. She graduated Magna Cum Laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration and earned her Masters in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire, USA in 1998.

**Bernard Vincent O. Dy**, Filipino, 60, has served as a Director of AREIT, Inc. since April 4, 2019. He was the President and Chief Executive Officer of Ayala Land, Inc. until September 30, 2023 and was a member of the Ayala Group Management Committee since April 2014. He is also a Director of other publicly-listed

companies, Ayalaland Logistics Holdings Corp. and Avaland Berhad (formely MCT Bhd.) in Malaysia. Concurrently, he is the Chairman of Ayagold Retailers, Inc.; Vice Chairman of Alvierra Country Club, Inc. and Director of Aviana Development Corp., AKL Properties, Inc., Alabang Commercial Corporation, ALI Eton Property Development Corporation, Altaraza Development Corporation, Aurora Properties Incorporated, Avencosouth Corp., Ayala Greenfield Development Corporation, Ayalaland-Tagle Properties, Inc., Berkshires Holdings, Inc., Bonifacio Land Corporation, BGNorth Properties, Inc., BGSouth Properties, Inc., BGWest Properties, Inc., Cagayan De Oro Gateway Corp., Ceci Realty Inc., Columbus Holdings, Inc., Fort Bonifacio Development Corporation, Emerging City Holdings, Inc., Serendra, Inc., Station Square East Commercial Corporation, and Vesta Property Holdings, Inc. He is also the President of Bonifacio Art Foundation, Inc. and Hero Foundation Inc.; member of the Board of Trustees of Ayala Foundation, Inc., advisor of Alveo-Federal Land Communities, Inc.; and, Director of the Junior Golf Foundation of the Philippines since 2010 and Vice Chairman since 2017. He earned a degree of BBA in Accountancy from the University of Notre Dame in 1985, an MBA in 1997, and Masters in International Relations in 1989 from the University of Chicago. He became a member of the University of Chicago's Global Leaders Group in 2020.

**Augusto D. Bengzon**, Filipino, 61, has served as a Director and the Treasurer of AREIT, Inc. since April 4, 2019. He also currently serves as Ayala Land, Inc.'s Senior Vice President, Chief Finance Officer, Treasurer and Chief Compliance Officer. He is a Treasurer of AyalaLand Logistics Holding Corp., another publicly-listed companies under the Ayala Group. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc., Anvaya Cove Golf and Sports Club, Inc. and Anvaya Cove Beach and Nature Club, Inc.; Chief Finance Officer of Altaraza Development Corporation; Director and Treasurer of Alveo Land Corp., ALI Eton Property Development Corp., Aurora Properties Inc., AyalaLand Premier Inc., AyalaLand-Tagle Properties, Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc. and Vesta Property Holdings Inc.; Director of Alvierra Country Club Inc., Amicassa Process Solutions, Inc., Makati Development Corp., Northgate Hotel Ventures, Inc., and Station Square East Commercial Corp.; Comptroller of Nuevocentro, Inc.; Treasurer of Alabang Commercial Corporation, AKL Properties, Inc., Amaia Land Corp., Amaia Southern Properties, Inc., Avida Land Corp., Ayala Property Management Corporation, Bellavita Land Corp., BGNorth Properties, Inc., BGSouth Properties, Inc., BGWest Properties, Inc., Serendra Inc., The Suites at One Bonifacio High Street Condominium Corp. and Hero Foundation, Inc.; Assistant Treasurer of Ayala Greenfield Development Corporation; Trustee of Philippine National Police Foundation, Inc. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Masters in Business Management degree.

**Mariana Beatriz Zobel de Ayala**, Filipino, 35, has been a director of AREIT since October 2021. She is an Executive Director of Ayala Corporation and concurrently a Senior Vice President of Ayala Land, heading its Leasing and Hospitality Group, overseeing Ayala Malls, Ayala Land Offices, and Ayala Land Hotels and Resorts. She is also a Board Director of Ayala Land and a member of its Executive, Board Risk Oversight, and Sustainability Committees. Aside from her directorships at the Ayala Land Group, she also serves as a Board Director for several Ayala Group companies, such as AC Health, Ayala Group's ACTIVE Fund, and BPI's Asset Management and Trust Company. She was named a board advisor for Asia Partners, a Singapore-based private equity firm with over USD500 million in funding, focused on enabling the next generation of high-growth technology companies in Southeast Asia. She is also a board director of U-Go, looking to drive education equality in emerging markets by providing scholarship grants to women looking to pursue a university education. Ms. Mariana Zobel de Ayala previously worked for the Bank of the Philippine Islands (BPI) as a Senior Vice President, leading the development of its marketing and digital platforms for its Consumer Banking Group. Before this position, she served as the Deputy Head of Ayala Malls and initially as part of Alveo Land's project development team. She started working at the Ayala Group as a corporate strategy and business development associate at Ayala Corporation, supporting its portfolio reviews across the conglomerate and business development interests in the healthcare industry. She began her career at J.P. Morgan in New York. She obtained her BA in Social Studies (Philosophy, Politics, and Economics) from Harvard College and an MBA from INSEAD.

**Omar T. Cruz**, 69, is the Lead Independent Director of our Company. He is also independent director for Toyota Financial Services, Inc., RCBC Capital Corporation, Philippine Regional Investments Enterprises, Inc. and ABACORE Group, Inc. He also serves: as Chairman of the Investment Committee of De La Salle Philippines; as Trustee of the Financial Executives Institute Foundation of the Philippines; as Vice Chairman of the board and Board Executive Committee for the University of Asia and the Pacific; as Vice Chairman of the board and Board Executive Committee for the Center for Research and Communication Foundation, Inc.; as a trustee for the Philippine National Police Foundation. Previously Mr. Cruz has served as: Treasurer of the Republic of the Philippines, Chairman of the International Treasury Committee of the International Association of Financial Executives Institution; as a senior advisor to Prudential Corporation Asia (HK); and as President and CEO of BPIPhilam Life Assurance Corp. and Vice President and bank executive of Citibank, N.A.; Senior Executive Vice President of Insular Life. He has also previously served as a director for numerous entities, including Philamlife Company, BPI Philam Life Assurance Corporation, Ayala-FGU Condominium Corporation, Rufino Towers Condominium Corporation, Philamlife Asset Management, Inc., Tower Club and PHINMA Property Holdings Corporation. Mr. Cruz holds a Bachelor of Science in Industrial Management Engineering (minor in Mechanical Engineering) from De La Salle University. He also achieved his Masters in Industrial Economics from the Center for Research and Communication at the University of Asia and the Pacific.

**Enrico S. Cruz**, Filipino, 66, has been an independent director of AREIT since February 5, 2020. He is also an Independent Director of Security Bank Corporation, Robinsons Retail Holdings, Inc., The Keepers Holdings, Inc., DITO CME Holdings Inc., Maxicare Healthcare Corporation, CIBI Information Inc, MAXILIFE Insurance Corporation and Vice Chairman of SB Capital Investment Corporation. He was the Chief Country Officer of Deutsche Bank Manila Branch from June 2003 to July 2019, responsible for the operation of Deutsche Bank entities in the Philippines. He was concurrently the bank's Head of Corporate Finance overseeing debt origination, equity capital markets, advisory and corporate/institutional sales activities. He joined Deutsche Bank in July 1995 where he established the Global Markets (GM) franchise in the Philippines. Prior to Deutsche Bank, Eric was Senior Vice President at Citytrust Banking Corporation (CTBC), an affiliate of Citibank N.A. He joined CTBC in 1979 as an Executive Development Program Trainee and worked in various operations departments until he was named Head of Centralized Operations Department. He was then tasked in 1989 to head the Treasury Sales and Trading Group until his move to Deutsche Bank. He previously served as a Director of the Bankers Association of the Philippines (BAP) in 2003-2007, 2011-2015 and 2017-2019 and was a past president of the Money Market Association of the Philippines. He obtained his B.S. in Business Economics and MBA from the University of the Philippines. He was named by the UP College of Business Administration as a Distinguished Alumnus in 2008 and a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association in 2015.

**Sherisa P. Nuesa**, Filipino, 69, has been an independent Director of AREIT since April 26, 2023. Currently, she is an Independent Director of other publicly listed companies namely: Manila Water Company, Inc. and Integrated Micro-electronics, Inc. and a non-executive Director of Far Eastern University and Metro Retail Stores Group Inc., both also publicly-listed. She also sits in the Board of FEU subsidiary FERN Realty Corporation and concurrently a Senior Adviser to the Board of Vicsal Development Corporation. She is a member of the boards of trustees of the Financial Executives Institute (FINEX) Foundation and the NextGen Organization of Women Corporate Directors (NOWCD), where she holds the position of Vice President. She is also a Board Adviser to Justice Reform Initiative Inc. (JRI) where she was the former Chairperson since its inception. She is a former director of Ayala Land Inc. and ACEN Corporation from 2020 until April 2023. She also held the positions of President and Director of the ALFM Mutual Funds Group, and Trustee and Fellow of the Institute of Corporate Directors (ICD) from 2012 to 2021. In addition to her background as a Chief Finance Officer and currently as a Board Director, she also held previous positions in management operations and is an accredited lecturer of both ICD and the FINEX Academy. She was the Chief Finance Officer and Chief Administration Officer of IMI from January 2009 to July 2010. She was then a Managing Director of Ayala Corporation and had served in various capacities in Ayala Corporation, Ayala Land, Inc., and Manila Water Company, Inc. She co-led the Initial Public Offering (IPO) teams of Ayala Land, Inc., Cebu Holdings, Inc., Manila Water, and IMI. Ms. Nuesa received a Master of Business Administration degree from the Ateneo Graduate School of Business in Manila. She also attended post-graduate courses in Harvard Business School and in Stanford University. She graduated summa cum laude in 1974, with a degree of Bachelor of Science in Commerce from the Far Eastern University, which named



her as one of its Outstanding University Alumni. A Certified Public Accountant, she was awarded as the ING-FINEX CFO of the Year for 2008.

**Nominees to the Board of Directors for election at the stockholders' meeting:**

Except for Ms. Maria Theresa Marcial-Javier, all the others are incumbent directors.

**Maria Theresa Marcial-Javier, Filipino**, 53, is currently the Chief Finance Officer, Chief Sustainability Officer, and Head of Strategy and Finance of BPI. She is a fellow of the Foundation for Economic Freedom, trustee and Treasurer of the World Wide Fund for Nature (WWF). She is also the Treasurer of BPI Foundation and a Director at Philippines Inter-Island Sailing Federation. She joined BPI in 1995 and has cultivated 26 years of banking experience with expertise in strategic planning and finance, corporate banking, debt and equity capital markets, portfolio management, trust, and retail wealth management. She previously served on the BPI Trust Committee and the board of BPI Investment Management, Inc. She is also currently the President and CEO of BPI Wealth. Prior to joining BPI, Ms. Marcial was with the National Economic and Development Authority and the Agricultural Policy Credit Council. She previously served as President of the Fund Manager's Association of the Philippines, Trust Officers Association of the Philippines, Vice Chairman of Capital Markets and Development Committee of FINEX, alternate Governor of the Market Governance Board of the Philippine Dealing and Exchange Corporation. She obtained her Master's Degree in Economics in 1995 from UP Diliman, and her bachelor's degree in Economics in 1990 from UP Los Banos graduating cum laude. She completed the Advanced Management Program at Harvard Business School in 2010 and the CFA Institute Investment Management Workshop also at Harvard Business School in 2006.

**Management Committee Members / Key Executive Officers**

Carol T. Mills*	President and Chief Executive Officer
Ma. Teresa R. Famy	Treasurer and Chief Finance Officer
Maria Franchette M. Acosta**	Corporate Secretary
Ma. Florence Therese dG. Martirez-Cruz	Assistant Corporate Secretary and Chief Compliance Officer
Roscoe M. Pineda	Data Protection Officer
Rowena P. Libunao	Chief Audit Executive
Maphilindo S. Tandoc	Chief Risk Officer

*\*Member of the Board of Directors*

*\*\*Elected as Corporate Secretary on March 13, 2024 to replace*

*Mr. Solomon Hermosura who resigned as such effective February 29, 2024.*

**Ma. Teresa R. Famy**, Filipino, 58, is the Treasurer and Chief Finance Officer of the Company. She was appointed as the Chief Finance Officer effective July 1, 2021, and as Treasurer of the Company effective August 12, 2021. She has been with the ALI Group for 16 years. Prior to her appointment in the Company, Ms. Famy was the Chief Finance Officer of the AyalaMalls Group, Alveo Land Corp., Ayala Land Premier, and Avida Land Corp. Prior to joining the ALI Group, Ms. Famy assumed various roles in Finance in companies engaged in manufacturing and worked as an Auditor for SyCip Gorres Velayo and Co. She is a Certified Public Accountant and holds a Bachelor's Degree accounting from Divine Word College, Legazpi City.

**Maria Franchette M. Acosta**, Filipino, 51, has been the Corporate Secretary of the Company since March 13, 2024. She is the Chief Legal Officer, Corporate Secretary, Data Protection Officer, OIC Compliance Officer and Corporate Governance Group Head r of Ayala Corporation. She is also the Corporate Secretary of Ayala Land, Inc., ACEN CORPORATION, and Integrated Micro-Electronics, Inc. She is a practicing lawyer for 24 years, with 18 years in Villaraza & Angangco Law Firm where she was a Senior Partner, Co-Managing Partner and Head of its Corporate and Commercial Law Department. Ms. Acosta was an Assistant Secretary at the Office of the Chief Presidential Legal Counsel, Office of the President of the

Republic of the Philippines from 2001 to 2003. She is recognized as an expert counsel in leading legal journals and publications such as Chambers Global, Chambers Asia Pacific, and the Legal 500. She is a consistent Asia Business Law Journal's top 100 lawyers of the Philippines. Ms. Acosta graduated from New York University with Master of Laws in 2003. She ranked 3rd in the Philippine Bar Examination and earned her Bachelor of Laws from the University of the Philippines College of Law in 1998 where she graduated Class Valedictorian and Cum Laude. She holds a Bachelor of Science in Business Economics from the University of the Philippines School of Economics in 1994 where she graduated magna cum laude.

**Ma. Florence Therese dG. Martirez-Cruz**, Filipino, 38, has served as the Assistant Corporate Secretary of AREIT, Inc. since November 14, 2022, and Chief Compliance Officer of the AREIT, Inc. since April 26, 2023. She is the Corporate Secretary of Ayalaland Logistics Holdings Corp. and AREIT Fund Managers, Inc., and concurrently the Head of Legal of AREIT, Inc. and Ayalaland Offices, Inc. She is also the Assistant Corporate Secretary and Compliance Officer for Anti-Money Laundering of Ayala Land, Inc., and the lead lawyer for Ayala Land's Leasing and Hospitality Group, and Ayala Land Legal's Banking, Finance, Securities, and Special Projects group. Prior to joining Ayalaland Offices, Inc. in 2021, she was a Senior Counsel and Counsel for AG Counselors Corporation, from 2019 to 2021, and 2016 to 2019, respectively. Prior to joining the Ayala Land Group, she worked as an Associate at the Leynes Lozada-Marquez Law Offices and as a legal consultant in the Office of Senator Maria Lourdes Binay. She graduated from the University of the Philippines in 2007 with a Bachelor of Arts degree in Public Administration, and obtained her Juris Doctor in 2011 from the same University. She finished the Program on Negotiation and Leadership at Harvard Law School in 2019 and the Certification Course for Compliance Officers by the Center for Global Best Practices in 2022.

**Roscoe M. Pineda**, Filipino, 51, has served as the Data Protection Officer of our Company since January 1, 2024. He is a Vice President and the Information Technology Director of the Residential Business Group of Ayala Land, Inc. effective on March 1, 2023. He assumed the Chief Information Officer (CIO) position for the ALI Group effective on October 1, 2023. Mr. Pineda was the Service Center Lead for Technology and was also the Chief Operating Officer of ANZ Global Services and Operations in Manila. He was the Chief Shared Services Officer of the Asia Service Centre of Sun Life of Canada, and was a VP of CHARTIS Technology and Operations Management Corp. (AIG Shared Services) in various senior roles. He was a member of the Board of Trustees of the Global In-house Centers Council of the Philippines, a company delegate and representative of the IT & Business Process Association of the Philippines and Contact Center Association of the Philippines. He is a bona fide member of the PMI.org and currently a Certified Project Management Professional. Mr. Pineda has a Bachelor's Degree in Mathematics, Major in Computer Science from the University of Santo Tomas.

**Rowena P. Libunao**, Filipino, 46, is currently the audit lead for Corporate, Offices, Malls, Hotels and Resorts. She has been with ALI Internal Audit for almost 13 years. Prior to joining Ayala Land, she worked as Internal Auditor for various companies engaged in banking, petroleum and stock exchange. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and a member of the Institute of Internal Auditors Philippines (IIAP). She holds a Bachelor of Science degree in Accountancy from the Pamantasan ng Lungsod ng Maynila.

**Maphilindo S. Tandoc**, Filipino, 60, is currently Ayala Land's Assistant Vice President and Chief Risk Officer under the office of the Chief Finance Officer. He started his career as a registered mechanical engineer and was first engaged in the contracting industry in 1986 at Koldwinds Systems Inc. (KSI), a company specializing in industrial heating, ventilating, air-conditioning and refrigerating (HVACR) systems where he handled installation, retrofit and maintenance projects. He joined PLDT Co., in 1989 as a Safety Engineer and eventually managed PLDT's Corporate Safety, Security and Environmental Management Divisions. In 2000, he was promoted as corporate Risk Manager, a role he performed up to 2004. From 2004 to 2006, he worked for Asian Terminals, Inc. (ATI), then P&O Ports Australian subsidiary, as Risk and Insurance Management Officer. In March 2006 joined Ayala Land, Inc. (ALI) as the company's Risk Insurance Manager. He was promoted in 2012 to be the Company's Chief Risk Officer (CRO) managing enterprise-wide risk management programs. He functionally reports directly to the company's Board Risk Oversight Committee and administratively reports to the company's Chief Finance Officer. Aside from handling enterprise-wide risk management programs, he is also managing on concurrent basis the

company's vast portfolio of insurance programs and is designated as the corporate Safety Officer of the company. He is a DOLE accredited occupational safety and health consultant and was one of the founding members of the Association of Safety Practitioners of the Phils., Inc. (ASPPI) in 1999 where he eventually became the Chairman until he exited in 2008. He is currently a Board Director of the Safety Organization of the Phils., Inc. (SOPI) and CRO of both ALI and AREIT.

## Item 10. Compensation of Directors and Executive Officers

### (a) Executive Compensation

Name and Principal Position	Year	Salary	Other Variable Pay
Carol T. Mills, <i>President &amp; CEO</i>			
Ma. Teresa R. Famy, <i>Treasurer &amp; CFO</i>			
Rowena P. Libunao, <i>Chief Audit Executive</i>			
Maphilindo S. Tandoc, <i>Chief Risk Officer</i>			
CEO & Most Highly Compensated Executive Officers	Actual 2022	₱10.39	*₱2.68
	Actual 2023	₱11.55	*₱4.48
	Projected 2024	₱11.64	₱4.05
All other officers** as a group unnamed	Actual 2022	₱4.16	₱0.81
	Actual 2023	₱3.94	₱1.37
	Projected 2024	₱2.25	₱0.65

\*Exclusive of Stock Option exercise

\*\* Managers and up

The executive officers are all seconded from ALI, and they receive no compensation, salary, or per diem from the Company. The amounts stated above cover the compensation of the executive officers of AREIT as secondees from ALI. Other variable pay paid to the officers by ALI covers bonuses. The total annual compensation of the President and top five highly compensated executives amounted to ₱13.07 million in 2022, and ₱16.03 million in 2023. The projected total annual compensation of the President and top five highly compensated executives for 2024 is projected at ₱15.69 million.

The total annual compensation paid to all executive officers was all paid in cash.

### (b) Compensation of Directors

Article III, Section 12 of the By-Laws provides:

“Section 12 – By resolution of the Board of Directors, each director, may receive a reasonable per diem allowance for his attendance to each meeting of the Board of Directors. Any additional compensation, other than per diems, to be given to the members of the Board of Directors shall be subject to approval by stockholders representing majority of the outstanding capital stock.

A director, except an independent director, shall not be precluded from serving the Corporation in any other capacity such as an officer, agent or otherwise, and from receiving compensation thereof.

The amount of the annual compensation of all directors and principal officers of the Corporation shall be fixed subject to the provision of the REIT Act and other applicable

laws, rules, and regulations. No director shall be involved in the determination of his own per diem or compensation during his incumbent term.”

**i. Standard Arrangement (Current Compensation)**

Other than payment of reasonable per diem of ₱40,000 for the independent directors for every Board meeting and ₱20,000 for every committee meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, directly or indirectly, for any services provided as director.

In 2023, the following independent directors of the Corporation received net compensation, as follows:

Director	Per Diem (In Pesos)	Total (In Pesos)
Omar T. Cruz	500,000.00	500,000.00
Enrico S. Cruz	480,000.00	480,000.00
Sherisa P. Nuesa	280,000.00	280,000.00
Jessie D. Cabaluna*	120,000.00	120,000.00

\*served as Director until April 26, 2023

**ii. Other Arrangement**

There are no other arrangements pursuant to which any of the directors of the Company is compensated, directly or indirectly, for any service provided as director.

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

**i. Security Ownership of Record and Beneficial Owners of more than 5% as of March 15, 2024:**

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Ayala Land, Inc. <sup>2</sup> 31F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Land, Inc. <sup>3</sup>	Filipino	1,003,837,015	42.3809%
Common	PCD Nominee Corporation (Filipino) <sup>4</sup> G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers <sup>5</sup>	Filipino	901,875,449	38.0762%

<sup>2</sup> Ayala Land, Inc. (“ALI”) is the principal stockholder of the Company.

<sup>3</sup> Under the By-Laws of ALI and the Revised Corporation Code, the ALI Board has the power to decide how ALI’s shares are to be voted.

<sup>4</sup> PCD Nominee Corporation (Filipino) (“PCD”) is not related to the Company.

<sup>5</sup> Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The beneficial owner, with certification of ownership of shares from the PCD Participant, has the power to vote in absentia or through the Chairman of the meeting as proxy. Out of the 902,198,169 common shares registered in the name of PCD Nominee Corporation (Filipino), 222,634,800 or 9.3994% of the outstanding capital stock is for the account of the Government Service Insurance System (GSIS). GSIS has not coordinated with the Company for the submission of SEC Form 18-A for beneficially owning more than 5% of the Company’s common shares.

Common	AyalaLand Malls, Inc. <sup>6</sup>	AyalaLand Malls, Inc. <sup>6</sup>	Filipino	287,186,771	12.1247%
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**ii. Security Ownership of Directors and Management (Executive Officers) as of March 15, 2024:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (Of total outstanding shares)
<b>Directors</b>				
Common	Bernard Vincent O. Dy	(direct) 1	Filipino	0.0000%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.0000%
Common	Anna Ma. Margarita B. Dy	(direct) 1	Filipino	0.0000%
Common	Carol T. Mills	(direct & indirect) 140,001	Filipino	0.0059%
Common	Enrico S. Cruz	(direct & indirect) 2,625,001	Filipino	0.1108%
Common	Omar T. Cruz	(direct & indirect) 962,901	Filipino	0.0407%
Common	Sherisa P. Nuesa	(indirect) 242,900	Filipino	0.0103%
Common	Mariana E. Zobel de Ayala	(direct) 1	Filipino	0.0000%
<b>CEO and Most Highly Compensated Executive Officers</b>				
Common	Carol T. Mills	(direct & indirect) 140,001	Filipino	0.0059%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.0000%
Common	Anna Ma. Margarita B. Dy	(direct) 1	Filipino	0.0000%
Common	Ma. Teresa R. Famy	(indirect) 22,000	Filipino	0.0009%
<b>Other Executive Officers</b>				
Common	Maphilindo S. Tandoc	0	Filipino	0.0000%
Common	Rowena P. Libunao	0	Filipino	0.0000%
Common	Ma. Florence Therese dG. Martinez-Cruz	(indirect) 1,700	Filipino	0.0001%
Common	Maria Franchette M. Acosta*	0	Filipino	0.0000%
<b>All Directors and Officers as a group</b>		<b>3,994,507</b>		<b>0.1686%</b>

\*Elected on March 13, 2024.

No director or member of the Company's management owns 2.0% or more of the outstanding capital stock of the Company.

**iii. Voting Trust Holders of 5% or more**

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

**iv. Changes in Control**

No change of control in the Company has occurred since the beginning of its last fiscal year.

**v. Foreign ownership level as of February 29, 2024:**

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
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<sup>6</sup> AyalaLand Malls, Inc. is an affiliate of AREIT, Inc. for having ALI as their common stockholder owning at least 10% of their outstanding capital stock.

<sup>6</sup> The Board of AyalaLand Malls, Inc. has the power to decide how the shares are to be voted

Common Shares	2,368,606,573	81,843,231	3.46%
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## Item 12. Certain Relationships and Related Transactions

The Company, in its regular conduct of business, has entered into transactions with related parties consisting of lease of office spaces, advances, supply agreements, management, marketing and leasing, and administrative service agreements. These are based on terms agreed by the parties and made on an arm's length basis.

All related party transactions of the Company have to be approved by a majority of the entire membership of the Board of Directors, including the unanimous vote of all independent directors of the REIT. All related party transactions of the Company to date have been approved by the Risk Management and Related Party Transactions Review Committee of the Company.

The table below sets out the principal ongoing transactions of the Company with and the fees recognized and paid to related parties as of December 31, 2023:

Related Parties	Nature of Transaction	Value of the Transaction
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One, Ayala North Exchange, McKinley Exchange Corporate Center, 30 <sup>th</sup> Corporate Center, Vertis Towers 1 to 3, eBloc Towers 1 to 4, and ACC Tower	Varying depending on supply charges computation and adjustments. Electricity expense incurred amounted to ₱460.42 million and ₱390.40 million, for the years ended December 31, 2023 and 2022 (see Note 18 of Audited FS).
Ayala Property Management Corporation	Property management agreements for the facilities management	Management fee recognized amounted to ₱88.99 million and ₱32.66 million, for the years ended December 31, 2023 and 2022 (see Note 18 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078.00 per month, subject to annual escalation of 5%. In 2023, the Company paid ₱40.62 million (see Notes 18 of Audited FS).
Ayala Land, Inc.	Land lease agreements for Solaris, Teleperformance Cebu, Vertis Offices and Mall, Bacolod Ayala Northpoint, eBloc Towers 1 to 4, ACC Tower, Tech Tower, Glorietta 1 and 2 Offices and Mall, and One Ayala Office Towers	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company recognized land lease amounting to ₱421.59 million and ₱156.09 million in 2023 and 2022, respectively (see Note 16 and 18 of the Audited FS)
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	The Company recognized management fee expense amounting to ₱261.27 million in 2023 and ₱198.52 million 2022 (see Note 18 of Audited FS), computed based on 0.10% of the Deposited Property Value

		<p>(as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of management fees and after deducting interest expense from lease liabilities for the relevant period.</p> <p>Additional fees, if applicable: 1% of the acquisition price for every acquisition made.</p> <p>No acquisition fees were paid in 2023.</p> <p>0.50% of the sales price for every property divested.</p> <p>In 2023, the Company recognized a divestment fee amounting to ₱0.19 million, related to the sale of Alabang FGU condo units.</p> <p>The total fees paid to AREIT Fund Manager is within the limit provided under the Revised REIT IRR and does not exceed one percent (1%) of the Net Asset Value of the assets under its management.</p>
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	<p>The Company recognized management fee expense amounting to ₱190.18 million for year 2023 and ₱166.90 million in 2022 (see Note 18 of Audited FS), computed based on 3% of Gross Rental Income plus Interest Income from finance lease for the relevant period (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company.</p> <p>The total fees paid to AREIT Property Manager is within the limit provided under the Revised REIT IRR and does not exceed one percent (1%) of the Net Asset Value of the assets under its management.</p>
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	<p>The lease generally provides for a monthly rent based on a certain percentage of gross rental income.</p> <p>The Company recognized land lease amounting to ₱71.98 million and ₱75.62 million for year 2023 and 2022 (see Notes 16 and 18 of Audited FS)</p>

Alveo Land Corp.	Contract of Lease dated January 5, 2018 for office space in Solaris One	The Company recognized rental income amounting to ₱5.27 million and ₱5.05 million in 2023 and 2022 (see Note 18 of the Audited FS).  AREIT, as lessor, did not pay any fees to the lessee.
Makati North Hotel Ventures, Inc.	Contract of Lease dated February 6, 2019 (for 100% of the serviced residences portion of Ayala North Exchange)	Year 1 to 5 - Monthly fixed rent of ₱500.00 per sqm of GFA plus P5,000.00 per parking slot.  Year 6 onwards- Monthly fixed rent of ₱500.00 per sqm of GFA plus P5,000.00 per parking slot plus 5% of Total Hotel Revenues if Total Hotel Revenues exceed ₱500 million or 10% of Total Hotel Revenues if Total Hotel Revenues exceed ₱1 billion.  The Company recognized interest income from finance lease receivables amounting to ₱148.16 million and ₱149.23 million in 2023 and 2022 (see Notes 16 and 18 of the Audited FS).  AREIT, as lessor, did not pay any fees to the lessee.
Bank of the Philippine Islands	Contract of Lease dated November 28, 2016 (0.23% of total gross leasable area in Solaris One)  Contract of Lease dated April 30, 2019 (10.5% of total gross leasable area in Ayala North Exchange)	The Company recognized rental income amounting to ₱73.60 million and ₱170.31 million in 2023 and 2022, respectively (see Note 18 of the Audited FS).  AREIT, as lessor, did not pay any fees to the lessee.
BPI Capital Corporation	Contract of Lease dated March 1, 2019 (1.3% of total gross leasable area in Ayala North Exchange)	The Company recognized rental income amounting to ₱7.98 million in 2023 (see Note 18 of the Audited FS).  AREIT, as lessor, did not pay any fees to the lessee.
First Gateway Real Estate Corp.	Contract of Lease dated May 29, 2019 for office space in Ayala North Exchange	The Company recognized rental income amounted to ₱11.91 million and ₱11.13 million in 2023 and 2022 (see Note 18 of the Audited FS).  AREIT, as lessor, did not pay any fees to the lessee.
Amaia Land Corp.	Contract of Lease for office space in Alabang FGU	Rental income recognized amounted to ₱5.62 million and ₱5.26 million in 2023



		<p>and 2022 (see Note 18 of the Audited FS).</p> <p>AREIT, as lessor, did not pay any fees to the lessee.</p>
Amicassa Process Solutions, Inc.	Contract of Lease for office space in Tech Tower (3.75% of total gross leasable area Tech Tower)	<p>Rental income recognized amounted to ₱4.06 million in 2023.</p> <p>AREIT, as lessor, did not pay any fees to the lessee.</p>
Integrated Micro-Electronics, Inc.	Contract of Lease for Laguna Technopark Lots	<p>Monthly rent of ₱60.00 per sq. m. starting January 1, 2020, exclusive of VAT, subject to annual escalation of 5% commencing on January 1, 2021.</p> <p>In 2023 and 2022, the Company received payment amounting to ₱81.88 million, and ₱77.93 million respectively.</p>
North Eastern Commercial Corp.	Building Lease for Ayala Malls The 30 <sup>th</sup> and Vertis Mall	<p>Rent shall be the higher amount between the (a) fixed rent as stated in the Contract of Lease plus six percent (6%) of rental income; or (b) Minimum Guaranteed Rent as set forth in the schedule indicated in the Contract of Lease; provided that, such fixed rent and minimum guaranteed rent shall be subject to an escalation rate of 3% every three (3) years.</p> <p>The Company recognized interest income from finance lease receivables amounting to ₱73.26 million and ₱73.09 million in 2023 and 2022 (see Notes 16 and 18 of the Audited FS).</p> <p>AREIT, as lessor, did not pay any fees to the lessee.</p>
North Eastern Commercial Corp.	Contract of Lease for a space of The 30th Corporate Center and Vertis North Corporate Center 1	<p>Rental income recognized amounted to ₱7.12 million and ₱2.11 million in 2023 and 2022, respectively.</p> <p>AREIT, as lessor, did not pay any fees to the lessee.</p>
Ayalaland Malls, Inc.	Building Lease for Glorietta 1 & 2 Mall	<p>The lease provides rates based on a fixed rent and shall be subject to an escalation rate of 2.5% per annum.</p> <p>The Company recognized interest income from finance lease receivables amounting to ₱139.14 million in 2023</p>

		(see Notes 16 and 18 of the Audited FS).
Northbeacon Commercial Corp.	Building Lease for Marquee Mall	<p>The lease provides rates based on a fixed rent and shall be subject to an escalation rate of 2.5% per annum.</p> <p>The Company recognized interest income from finance lease receivables amounting to ₱90.27 million in 2023 (see Notes 16 and 18 of the Audited FS).</p>
Northbeacon Commercial Corp.	Land lease for Marquee Mall	<p>The lease generally provides for a monthly rent based on a certain percentage of gross rental income. Total outstanding payable amounted to ₱4.97 million for the year ended December 31, 2023 (see Note 18 of Audited FS).</p>
Ceci Realty, Inc.	Land leases for One and Two Evotech	<p><i>For One Evotech</i>  ₱29.43 per sq.m. per month (VAT-exclusive) from June 1, 2021 to September 30, 2027, subject to 5% escalation per annum; and beginning October 1, 2037 until September 30, 2058, monthly rent of ₱170.36 per sq.m. (VAT-exclusive), subject to an escalation of 5% per annum.</p> <p><i>For Two Evotech</i>  (a) ₱32.45 per sq.m. (VAT-exclusive) from rental commencement date, subject to escalation rate of 5% per annum for the first five years of the lease; (b) monthly rent for the succeeding years up to April 12, 2040 will be at 4% of AREIT's Gross Rental Income for the building or fixed land lease rate per sq.m., whichever is higher; (c) from April 13, 2040 to April 12, 2058, fixed land lease rate of ₱197.10 per sq.m. (VAT-exclusive), subject to an escalation rate of 5% per annum.</p> <p>In 2023, the Company paid rent amounting to ₱11.04 million.</p>
Ceci Realty, Inc.	Electricity of Evotech	Total outstanding payable amounted to ₱27.44 million and ₱25.36 million, for

		the years ended December 31, 2023 and 2022 (see Note 18 of Audited FS).
Manila Water Company, Inc.	Water Supply agreement to meet the water requirements of the facilities of various properties	Varying depending on supply charges computation and adjustments. Water expense incurred amounted to ₱71.16 million and ₱38.21 million, for the years ended December 31, 2023 and 2022 (see Note 18 of Audited FS).
Manila Water Philippine Ventures, Inc.	Water Supply agreement to meet the water requirements of the facilities of various properties	Varying depending on supply charges computation and adjustments. Total outstanding payable amounted to ₱4.04 million for the year ended December 31, 2023 (see Note 18 of Audited FS).
Aprisa Business Process Solutions, Inc.	Accounting shared services rendered to the Company	Total outstanding payable amounted to ₱1.57 million for the year ended December 31, 2023 (see Note 18 of Audited FS).
Philippine Integrated Energy Solutions, Inc.	Aircon DCS fixed charges and chilled water charges for ACC tower	Total outstanding payable amounted to ₱14.64 million for the year ended December 31, 2023 (see Note 18 of Audited FS).
Cebu District Property Enterprise, Inc.	Loans covered by a Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱137.09 million (see Note 18 of Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Arvo Commercial Corporation	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱123.13 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Arca South Hotel Ventures	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱64.75 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Crans Montana Property Holdings Corporation	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱25.50 million (see Note 18 of the Audited FS).

		AREIT, as lender, did not pay any fees to the borrower.
Capitol Central Commercial Ventures Corp.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱118.50 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
ALI Makati Hotel Property Inc.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱2.07 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Soltea Commercial Corp.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱5.20 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Laguna Technopark, Inc.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱117.66 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
AyalaLand Logistics Holdings Corp.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱82.53 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
ALI Triangle Hotel Ventures, Inc.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱88.45 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Ayala Malls Zing Inc.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to

		<p>₱31.45 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Cagayan De Oro Gateway Corporation	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱0.54 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Cavite Commercial Towncenter, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱234.42 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
HLC Development Corporation	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of Dec 31, 2023 amounted to ₱29.27 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Bay City Commercial Ventures Corp.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱38.15 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Solinea Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted ₱145.15 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Portico Land Corp.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted ₱179.97 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Avida Land Corp.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted</p>

		<p>₱1.43 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
AyalaLand Estates, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱0.66 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Circuit Makati Hotel Ventures, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to ₱47.55 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Airswift Transport, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to ₱18.51 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
AyalaLand Malls, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to ₱35.15 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Amaia Land Corp.	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to ₱115.07 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Westview Commercial Ventures Corp.	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to ₱2.08 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Ten Knots Development Corporation	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to</p>

		<p>₱19.36 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Ten Knots Philippines, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to ₱201.83 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Ayala Property Management Corporation	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to ₱1.76 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Econorth Resorts Ventures, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to ₱0.12 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Accendo Commercial Corp.	Loans covered by Promissory Note	<p>Total outstanding receivable as of December 31, 2023 amounted to ₱126.17 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Alveo Land Corp.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱0.63 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Crimson Field Enterprises Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱23.25 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Greenhaven Property Ventures, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to</p>

		<p>₱1.61 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
North Triangle Hotel Ventures, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱1.68 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Southcrest Hotel Ventures, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱10.15 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Ecosouth Hotel Ventures Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱41.38 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Sicogon Island Tourism Estate Corp.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱219.55 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Makati North Hotel Ventures, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱14.64 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>
Ecozone Power Management, Inc.	Loans covered by Promissory Note	<p>Total outstanding receivable balance as of December 31, 2023 amounted to ₱143.16 million (see Note 18 of the Audited FS).</p> <p>AREIT, as lender, did not pay any fees to the borrower.</p>



LCI Commercial Ventures Inc.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱115.37 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Unity Realty & Development Corporation	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱4.00 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Leisure and Allied Industries Phils. Inc.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱15.50 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
North Triangle Depot Commercial Corp	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱135.53 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Nuevocentro, Inc.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱3.58 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.
Primavera Towncentre, Inc.	Loans covered by Promissory Note	Total outstanding receivable balance as of December 31, 2023 amounted to ₱26.22 million (see Note 18 of the Audited FS).  AREIT, as lender, did not pay any fees to the borrower.

In a special meeting held on February 12, 2024 for such purpose, the stockholders approved the issuance of 841,259,412 primary common shares (the "Shares") to Ayala Land, Inc. ("ALI"), Greenhaven Property Ventures, Inc. ("Greenhaven"), Cebu Insular Hotel Co., Inc. ("Cebu Insular") (Greenhaven and Cebu Insular are hereinafter referred to as "Subsidiaries"), and Buendia Christiana Holdings Corp. ("BCHC") in exchange for four (4) commercial buildings located in Ayala Center Makati and Ayala Center Cebu, and a 276-hectare parcel of industrial land located in Zambales, with an aggregate value of ₱28,602,820,008.00 (the

“Properties”) (“Property-for-Share Swap Transaction”), independently evaluated and recommended to the Company by AREIT Fund Managers, Inc. (“AFMI”) under a property-for-share swap with an issue price of ₱34.00 per share (“Transaction Price”), set at a 3.75% premium over the thirty (30)-day volume weighted average price (“30-day VWAP”) or the Market Price of ₱32.77, and as validated by a fairness opinion issued by FTI Consulting Philippines, Inc. (“FTI Consulting”). The properties to be infused have been evaluated by AFMI and have been appraised by the Company’s property appraiser, Cuervo Appraisers, Inc. (“Cuervo”). The Property-for-Share Swap Transaction is subject to regulatory approvals which will be applied for in due course.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the Company’s outstanding shares (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AREIT employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

Material related party transactions are reviewed and approved by the Risk Management and Related Party Transactions Review Committee in accordance with the Company’s Related Party Transactions Policy.

## PART V- CORPORATE GOVERNANCE

### Item 13. Compliance with leading practice on Corporate Governance

- i. The evaluation system which was established to measure or determine the level of compliance of the Board and top-level management with its Revised Manual of Corporate Governance includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer. The Integrated Annual Corporate Governance (I-ACGR) of AREIT will be submitted to the SEC on or before May 30, 2024.
- ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.
- iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.
- iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

### Item 14. Exhibits and Reports on SEC Form 17-C

#### (a) Exhibits- See accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report.

2023 Audited Financial Statements

*The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.*

#### (b) Reports on SEC form 17-C

The following current reports have been reported by AREIT during the year 2023.

<b>Unstructured Disclosures</b>
<ul style="list-style-type: none"><li>• Notice of FY 2022 Analyst Briefing</li><li>• FY 2022 Results Press Release</li><li>• Change in External Auditor</li><li>• Notice of Conduct of the Annual Stockholders' Meeting</li><li>• Results of the Regular Board Meeting (March)</li><li>• AREIT FY 2022 AFS</li><li>• AREIT Board Approval on P23B Property-Share Swap with ALI</li><li>• Reinvestment Plan (205M share sale)</li><li>• AREIT Shareholders Approve P22.5B property-for-share swap with ALI Press Release</li><li>• Demise of an Officer</li><li>• Results of 2023 Annual Stockholders' Meeting</li><li>• Results of Organizational Meeting of the Board of Directors (May)</li></ul>

- AREIT 1Q 2023 Results Press Release
- Signing of AREIT-ALI Deed of Exchange
- Property-for-Share Swap between AREIT, Inc. ("AREIT") and Ayala Land, Inc. ("ALI"), Ayalaland Malls, Inc. ("ALMI"), and Northbeacon Commercial Corporation ("NBCC")
- AREIT 2Q 2023 Reinvestment Plan Progress Report
- Notice of 1H 2023 Analyst Briefing
- AREIT 1H 2023 Results Press Release
- Declaration of Regular Cash Dividend to all Outstanding Common Shares
- SEC Approval for Property-for-Share Swap Press Release
- AREIT 3Q 2023 Reinvestment Plan Progress Report
- AREIT 9M 2023 Results Press Release
- Results of the Regular Board Meeting (November)
- AREIT 9M 2023 Dividend Declaration Press Release
- AREIT Acquires Industrial Land Press Release
- Notice of 9M 2023 Analyst Briefing
- Results of the Special Board of Directors' Meeting Press Release
- Conduct of a Special Stockholders' Meeting
- Setting of the 2024 Annual Stockholders' Meeting
- AREIT, Inc. ("AREIT") acquisition of land from Buendia Christiana Holdings Corp. ("BCHC"), a wholly owned subsidiary of ACEN Corporation (PSE: "ACEN") via property-for-share swap.
- AREIT Press Release on ALI P23B Asset Infusion
- AREIT Three-year Investment Strategy

**(c) Reports under SEC form 17-C files**

None.

**(d) Material events subsequent to the end of the reporting period that have not been reflected in the financial statements of the reporting period**

On February 20, 2024 the Board of Directors, has approved the holding of our annual stockholders' meeting for April 23, 2024 in a fully virtual format, including all the necessary and related arrangements thereto, subject to applicable rules and regulations of the Securities and Exchange Commission.

The Corporation shall hold a physical meeting if so requested by the stockholders holding at least 10% of our outstanding capital stock. Stockholders have until March 6, 2024 to submit their request to [corporate.secretary@areit.com.ph](mailto:corporate.secretary@areit.com.ph).

In compliance with the relevant rules and the Company's By-Laws, please refer to the attached Notice to Stockholders on the Conduct of Annual Stockholders' Meeting in Fully Virtual Format.

On March 20, 2024, AREIT, Inc. (AREIT), Ayala Land, Inc. (ALI), its subsidiaries, Greenhaven Property Ventures, Inc. (Greenhaven) and Cebu Insular Hotel Co., Inc. (Cebu Insular), and Buendia Christiana Holdings Corp. (BCHC), executed a Deed of Exchange involving the issuance of 841,259,412 primary common AREIT shares (Shares) to ALI, Greenhaven, Cebu Insular, and BCHC, at an issue price of Php34.00 per share, set at a 3.75% premium over the thirty (30)-day volume weighted average price ("30-day VWAP") or the Market Price of P32.77, in exchange for four (4) commercial buildings located in Ayala Center Makati and Ayala Center Cebu, and a 276-hectare parcel of land located in Zambales, with an aggregate value of Php28,602,820,008.00 (Transaction).

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of

MAKATI CITY on APR 11 2024

By:

  
\_\_\_\_\_  
**Carol T. Mills**  
President and Chief Executive Officer

  
\_\_\_\_\_  
**Ma. Teresa R. Famy**  
Treasurer and Chief Finance Officer

  
\_\_\_\_\_  
**Ma. Florence Therese dG. Martinez-Cruz**  
Assistant Corporate Secretary


**SUBSCRIBED AND SWORN** to before me this 11 day of APRIL 2024 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	ID Number	DATE OF ISSUE	PLACE OF ISSUE
Carol T. Mills	P9958069A	December 17, 2018	DFA NCR South
Ma. Teresa R. Famy	P8757104B	January 25, 2022	DFA Manila
Ma. Florence Therese dG. Martinez-Cruz	CRN-0111-3606313-0		

Doc No. 387  
Page No. 29  
Book No. VJ  
Series of 2024.



Notarial DGT pursuant to Sec. 61 of the TRAIN Act (Amending Sec. 188 of the NIRC) affixed on Notary Public's copy

  
**MA. FELORA A. MANGABANG**  
Notary Public - Makati City  
Appt. No. M-158 until December 31, 2023  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MCT10077039 - 01/03/2024 - Makati City  
MCLE Compliance No. VII -0006702 - 11/18/2023  
28th Floor, Tower One and Exchange Plaza 53  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**AREIT, INC.**

**INDEX TO EXHIBITS  
Form 17-A**

No.		
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	n.a.
(5)	Instruments Defining the Rights of Security Holders, including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(9)	Material Contracts	n.a.
(10)	2023 Audited Financial Statement (with notarized Statement of Management Responsibility)	
	Attached 2023 Financial Statement of "significant" subsidiaries/affiliates which are not consolidated	n.a.
(13)	Letter re: Change in Certifying Accountant	n.a.
(15)	Letter re: Change in Accounting Principles	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrants	n.a.
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits 2023 Appraisal reports of the properties	

*n.a Not applicable or require no answer.*

**AREIT, INC.**

**INDEX TO SUPPLEMENTARY SCHEDULES  
Form 17-A**

**Supplementary Schedules** *(For schedules A- G please refer to pages 125-131)*

Report of Independent Public Accountants on Supplementary Schedules

- A. Financial Assets
- B. Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable from Related Parties with are Eliminated during the Consolidation of Financial Statements
- D. Long-term Debt
- E. Indebtedness to Related Parties
- F. Guarantees of Securities of Other Issuers
- G. Capital Stock

Other Supporting Schedules

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of the Group of Companies within the Reporting Entity belongs
- Financial Soundness Indicators

**Sustainability Report**

A copy of AREIT's 2023 Integrated Report, will be available on the link below on or before the date of its Annual Stockholders' Meeting on April 23, 2024

<https://areit.com.ph/investor-relations/annual-reports>



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **AREIT, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2023, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards of Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

*Anna Margarita B. Dy*  
**ANNA MA. MARGARITA B. DY**  
Chairman, Board of Directors

*Carol T. Mills*  
**CAROL T. MILLS**  
President & Chief Executive Officer

*Ma. Teresa R. Famy*  
**MA. TERESA R. FAMY**  
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 19 2024, at Makati City, affiants exhibited to me their passports as competent evidence of their identities, as follows:

Name	Passport No.	Date/Place of Issue
Anna Ma. Margarita B. Dy	P6087936B	January 6, 2021 – DFA Manila
Carol T. Mills	P9958069A	December 17, 2021 – DFA NCR South
Ma. Teresa R. Famy	P8757104B	January 25, 2022 – DFA Manila

WITNESS MY HAND AND SEAL on the date and at the place first above written.

Doc. No. 368  
Page No. 75  
Book No. 64  
Series of 2024.



*Roberto T. Ongsiako*  
**ROBERTO T. ONGSIAKO**  
Notary Public - Makati City  
App. No. M-056 until December 31, 2024  
Roll of Attorneys No. 37041  
Lifetime IBP No. 02163 - RSM Chapter  
P.R. No. 10075604 - 01/02/2024 - Makati City  
NCLC Compliance No. VIII - 0000591 - 09/30/2022  
4th Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

Notarial DST pursuant to Sec. 61  
of the TRAIN Act (amending  
Sec. 188 of the NIRC)  
affixed on Notary Public's copy.







## Independent Auditor's Report

To the Board of Directors and Stockholders of  
**AREIT, Inc.**  
28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

### *Report on the Audit of the Financial Statements*

#### **Our Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AREIT, Inc. (the "Company") as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### *What we have audited*

The financial statements of the Company comprise:

- the statement of financial position as at December 31, 2023;
- the statement of total comprehensive income for the year ended December 31, 2023;
- the statement of changes in equity for the year ended December 31, 2023;
- the statement of cash flows for the year ended December 31, 2023; and
- the notes to the financial statements, including material accounting policy information.

#### **Basis for Opinion**

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)



Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
Page 2

### **Other Matter**

The financial statements of the Company as at December 31, 2022 and for the years ended December 31, 2022 and 2021 were audited by another firm of auditors whose report, dated February 24, 2023, expressed an unmodified opinion on those statements.

### **Our Audit Approach**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit pertains to the valuation of investment properties.



Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
Page 3

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<p data-bbox="272 651 863 696"><b>Valuation of investment properties</b></p> <p data-bbox="272 719 863 853">Refer to Notes 5 and 19.2 to the financial statements for the details of the investment properties and discussion on critical accounting estimates and assumptions.</p> <p data-bbox="272 875 863 1323">As at December 31, 2023, total investment properties, carried at fair value, amount to P78.26 billion, which accounts for approximately 84% of the total assets of the Company. The determination of fair values by the management and an external appraiser involves significant estimation using assumptions such as discount rates, growth rates, and free cash flows, which are influenced by the prevailing market rates and comparable information. A fair value assessment is performed regularly based on the requirements of PFRS 13, <i>Fair Value Measurement</i>, and Philippine Accounting Standard (PAS) 40, <i>Investment Property</i>.</p>	<p data-bbox="863 719 1503 909">We obtained the latest appraisal reports for investment properties as at December 31, 2023 and assessed the appropriateness of the valuation methodology and significant fair value inputs and assumptions used, which include discount rates, growth rates and free cash flows.</p> <p data-bbox="863 931 1503 1211">We tested the significant inputs and assumptions by establishing our independent estimates based on the current market and economic conditions as well as the Company's historical experience. Further, we assessed the reasonableness of the valuation of investment properties through benchmarking with comparable companies. In performing these procedures, we involved our internal valuation expert.</p> <p data-bbox="863 1234 1503 1368">We evaluated the competence and objectivity of the external appraiser engaged by the Company by reviewing their profile, licenses, and client portfolio.</p> <p data-bbox="863 1391 1503 1525">We also checked the appropriateness and sufficiency of the note disclosures on the valuation of investment properties in accordance with the requirements of PFRS 13 and PAS 40.</p>



Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
Page 4

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
Page 5

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent Auditor's Report  
To the Board of Directors and Stockholders of  
AREIT, Inc.  
Page 6

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

***Report on the Bureau of Internal Revenue Requirement***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the financial statements is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ruth F. Blasco.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "ruthblasco" in a cursive, lowercase style. The signature is written over the printed name "Ruth F. Blasco".

Ruth F. Blasco  
Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 11, 2024, Makati City

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
February 19, 2024



## Statements Required by Rule 68 Securities Regulation Code (SRC)

To the Board of Directors and Stockholders of  
**AREIT, Inc.**  
28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

We have audited the financial statements of AREIT, Inc. as at and for the year ended December 31, 2023, on which we have rendered the attached report dated February 19, 2024. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration and Map of the Group of Companies within which the Reporting Entity belongs, as additional components required by Part I, Section 5 of the Revised SRC Rule 68, and Schedules A, B, C, D, E, F and G, as required by Part II of the Revised SRC Rule 68, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "Ruth F. Blasco".

Ruth F. Blasco  
Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 11, 2024, Makati City

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
February 19, 2024

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T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)





## **Statements Required by Rule 68 Securities Regulation Code (SRC)**

To the Board of Directors and Stockholders of  
**AREIT, Inc.**  
28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the "Company") as at and for the year ended December 31, 2023, and have issued our report thereon dated February 19, 2024. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the year ended December 31, 2023 and no material exceptions were noted.

**Isla Lipana & Co.**

A handwritten signature in black ink that reads "ruthblasco". The signature is written in a cursive, lowercase style with a long, sweeping flourish at the end.

Ruth F. Blasco  
Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 11, 2024, Makati City

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
February 19, 2024

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://www.pwc.com/ph)

**AREIT, Inc.**

Statement of Financial Position  
As at December 31, 2023  
(With comparative figures as at December 31, 2022)  
(All amounts in Philippine Peso)

	Notes	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	2	41,758,546	62,753,382
Receivables	3	5,137,114,658	1,919,183,751
Other current assets	4	178,145,850	155,825,886
<b>Total current assets</b>		<b>5,357,019,054</b>	<b>2,137,763,019</b>
<b>Non-current assets</b>			
Receivables, net of current portion	3,16	8,055,590,803	2,986,455,069
Investment properties	5	78,255,747,008	60,871,459,005
Property and equipment, net	6	1,053,460	598,631
Other non-current assets	4	1,602,882,126	1,689,713,043
<b>Total non-current assets</b>		<b>87,915,273,397</b>	<b>65,548,225,748</b>
<b>Total assets</b>		<b>93,272,292,451</b>	<b>67,685,988,767</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts and other payables	7	2,127,536,764	1,065,080,572
Short-term debt	8	3,000,000,000	300,000,000
Current portion of long-term debt	8	-	2,977,693,930
Current portion of deposits and other liabilities	9	649,210,862	527,675,373
Current portion of lease liabilities	16	54,204,832	50,290,868
Construction bonds	10	95,692,253	98,584,276
<b>Total current liabilities</b>		<b>5,926,644,711</b>	<b>5,019,325,019</b>
<b>Non-current liabilities</b>			
Deposits and other liabilities, net of current portion	9	2,773,205,028	1,457,484,429
Lease liabilities, net of current portion	16	1,162,605,903	1,136,289,490
<b>Total non-current liabilities</b>		<b>3,935,810,931</b>	<b>2,593,773,919</b>
<b>Total liabilities</b>		<b>9,862,455,642</b>	<b>7,613,098,938</b>
<b>Equity</b>			
	11		
Paid-up capital		24,359,365,430	18,283,771,630
Treasury shares		(673,299,700)	(673,299,700)
Additional paid-in capital		36,320,032,381	20,021,645,532
Retained earnings		23,403,738,698	22,440,772,367
<b>Total equity</b>		<b>83,409,836,809</b>	<b>60,072,889,829</b>
<b>Total liabilities and equity</b>		<b>93,272,292,451</b>	<b>67,685,988,767</b>

The notes on pages 1 to 42 are an integral part of these financial statements.

**AREIT, Inc.**

Statement of Total Comprehensive Income  
For the year ended December 31, 2023  
(With comparative figures for the years ended December 31, 2022 and 2021)  
(All amounts in Philippine Peso)

	<b>Notes</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>				
Rental income	5,12,16	5,438,890,870	3,807,533,243	2,506,910,928
Dues	5,13	1,250,613,030	1,042,991,455	621,005,658
Interest income from finance lease receivables	13	450,832,306	222,321,826	188,547,234
		7,140,336,206	5,072,846,524	3,316,463,820
<b>Costs and expenses</b>				
Direct operating expenses	5,15	1,978,492,974	1,359,803,642	815,866,427
General and administrative expenses	15	126,349,291	79,490,176	103,397,784
		2,104,842,265	1,439,293,818	919,264,211
<b>Other charges, net</b>				
Interest income	14	133,829,672	34,332,442	7,208,646
Interest expense and other charges	15	(236,970,210)	(231,243,666)	(185,459,737)
Gain under finance lease	16	-	-	49,763,675
Other income	14	2,678	-	101,034
		(103,137,860)	(196,911,224)	(128,386,382)
<b>Net fair value change in investment properties</b>				
	5	99,254,883	(548,953,984)	164,502,279
<b>Income before income tax</b>				
Provision for income tax	17	5,031,610,964	2,887,687,498	2,433,315,506
		1,066,925	124,462	48,466
<b>Net income for the year</b>				
Other comprehensive income		5,030,544,039	2,887,563,036	2,433,267,040
		-	-	-
<b>Total comprehensive income for the year</b>				
		5,030,544,039	2,887,563,036	2,433,267,040
<b>Basic and diluted earnings per share</b>				
	21	2.60	1.91	1.64

The notes on pages 1 to 42 are an integral part of these financial statements.

**AREIT, Inc.**

Statement of Changes in Equity  
For the year ended December 31, 2023  
(With comparative figures for the years ended December 31, 2022 and 2021)  
(All amounts in Philippine Peso)

	Paid-up capital (Note 11)	Treasury shares (Note 11)	Additional paid-in capital (Note 11)	Retained earnings (Note 11)	Total equity
<b>At January 1, 2021</b>	10,929,864,050	(673,299,700)	785,681,404	21,765,499,530	32,807,745,284
<b>Comprehensive income</b>					
Net income for the year	-	-	-	2,433,267,040	2,433,267,040
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,433,267,040	2,433,267,040
<b>Transactions with stockholders</b>					
Issuance of new shares	4,832,543,750	-	10,583,270,809	-	15,415,814,559
Share issuance costs	-	-	(35,877,520)	-	(35,877,520)
Cash dividends	-	-	-	(1,733,359,375)	(1,733,359,375)
Total transactions with stockholders	4,832,543,750	-	10,547,393,289	(1,733,359,375)	13,646,577,664
<b>At December 31, 2021</b>	15,762,407,800	(673,299,700)	11,333,074,693	22,465,407,195	48,887,589,988
<b>Comprehensive income</b>					
Net income for the year	-	-	-	2,887,563,036	2,887,563,036
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,887,563,036	2,887,563,036
<b>Transactions with stockholders</b>					
Issuance of new shares	2,521,363,830	-	8,736,525,671	-	11,257,889,501
Share issuance costs	-	-	(47,954,832)	-	(47,954,832)
Cash dividends	-	-	-	(2,912,197,864)	(2,912,197,864)
Total transactions with stockholders	2,521,363,830	-	8,688,570,839	(2,912,197,864)	8,297,736,805
<b>At December 31, 2022</b>	18,283,771,630	(673,299,700)	20,021,645,532	22,440,772,367	60,072,889,829
<b>Comprehensive income</b>					
Net income for the year	-	-	-	5,030,544,039	5,030,544,039
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,030,544,039	5,030,544,039
<b>Transactions with stockholders</b>					
Issuance of new shares	6,075,593,800	-	16,404,103,260	-	22,479,697,060
Share issuance costs	-	-	(105,716,411)	-	(105,716,411)
Cash dividends	-	-	-	(4,067,577,708)	(4,067,577,708)
Total transactions with stockholders	6,075,593,800	-	16,298,386,849	(4,067,577,708)	18,306,402,941
<b>At December 31, 2023</b>	24,359,365,430	(673,299,700)	36,320,032,381	23,403,738,698	83,409,836,809

The notes on pages 1 to 42 are an integral part of these financial statements.

**AREIT, Inc.**

Statement of Cash Flows  
For the year ended December 31, 2023  
(With comparative figures for the years ended December 31, 2022 and 2021)  
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
<b>Cash flows from operating activities</b>				
Income before income tax		5,031,610,964	2,887,687,498	2,433,315,506
Adjustments for:				
Net fair value change in investment properties	5	(99,254,883)	548,953,984	(164,502,279)
Depreciation	6,15	222,922	90,634	42,043
Interest expense and other charges		235,222,482	208,368,633	169,820,104
Gain under finance lease	16	-	-	(49,763,675)
Interest income from finance lease receivables	13	(450,832,306)	(222,321,826)	(188,547,234)
Interest income from cash in banks and intercompany loans	14	(133,829,672)	(34,332,442)	(7,208,646)
Operating income before working capital changes		4,583,139,507	3,388,446,481	2,193,155,819
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables		(834,379,771)	(340,416,374)	(683,376,821)
Other assets		64,510,953	120,810,161	(717,596,933)
Increase (decrease) in:				
Deposits and other liabilities		1,402,477,986	(66,409,250)	1,148,320,226
Accounts and other payables		961,192,923	534,464,897	15,789,571
Construction bonds		(2,892,023)	40,004,636	58,579,640
Cash generated from operations		6,174,049,575	3,676,900,551	2,014,871,502
Interest received		364,810,118	256,654,268	195,755,880
Income tax paid		(1,066,925)	(124,462)	(48,466)
<b>Net cash flows from operating activities</b>		<b>6,537,792,768</b>	<b>3,933,430,357</b>	<b>2,210,578,916</b>
<b>Cash flows from investing activities</b>				
(Increase) decrease in due from related parties		(1,734,904,000)	(181,203,951)	881,900,000
Additions to:				
Investment properties	5	(201,172,225)	(81,462,725)	(5,019,127,301)
Property and equipment	6	(677,751)	(379,550)	(339,706)
<b>Net cash flows used in investing activities</b>		<b>(1,936,753,976)</b>	<b>(263,046,226)</b>	<b>(4,137,567,007)</b>
<b>Cash flows from financing activities</b>				
Payments of:				
Short-term debt	8	(3,300,000,000)	(890,000,000)	(33,489,500,000)
Cash dividends	11	(4,067,577,708)	(2,912,197,864)	(1,733,359,375)
Share issuance cost	11	(105,716,411)	(47,954,832)	(35,877,520)
Interest portion of lease liabilities	16	(53,896,170)	(49,232,653)	(37,177,503)
Interest on short-term and long-term debts	15	(94,843,339)	(100,256,144)	(81,036,681)
Proceeds from:				
Short-term debt	8	3,000,000,000	300,000,000	34,379,500,000
Long-term debt		-	-	2,957,472,367
<b>Net cash flows (used in) from financing activities</b>		<b>(4,622,033,628)</b>	<b>(3,699,641,493)</b>	<b>1,960,021,288</b>
<b>Net (decrease) increase in cash</b>		<b>(20,994,836)</b>	<b>(29,257,362)</b>	<b>33,033,197</b>
<b>Cash</b>				
At January 1		62,753,382	92,010,744	58,977,547
At December 31	2	41,758,546	62,753,382	92,010,744

Non-cash investing and financing activities

23

The notes on pages 1 to 42 are an integral part of these financial statements.

## **AREIT, Inc.**

Notes to the Financial Statements

As at and for the year ended December 31, 2023

(With comparative figures and notes as at December 31, 2022

and for the years ended December 31, 2022 and 2021)

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

### **1 General information**

#### *Corporate information*

AREIT, Inc., (formerly One Dela Rosa Property Development, Inc.) (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006. On September 26, 2018, the Company amended its Articles of Incorporation to engage in the business of a real estate investment trust (REIT), as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), and its implementing rules and regulations (the REIT Act).

The Company was organized primarily to engage in the business, which includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire, own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income arising from its property and investments; and (4) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient or incidental to or implied from the purposes herein mentioned. On April 12, 2019, the Company changed its name to AyalaLand REIT, Inc., and further amended its name to AREIT, Inc. on June 28, 2019.

As at December 31, 2023, the Company is publicly-listed, 43.33%-owned by Ayala Land, Inc. (ALI), 12.12%-owned by Ayalaland Malls, Inc. (ALMI), 4.07%-owned by Ayalaland Offices, Inc. (ALOI), 2.34%-owned by Northbeacon Commercial Corp. (NBCC), 2.62%-owned by Glensworth Development, Inc. (GDI), a wholly-owned subsidiary of ALOI, 1.58%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, and the rest by the public.

ALI’s parent is Ayala Corporation (AC). AC is 47.86%-owned by Mermac, Inc., and the rest by the public. Both ALI and AC are publicly-listed companies domiciled and incorporated in the Philippines.

The operational and administrative functions of the Company are handled by ALI before its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. handle the fund manager functions and property management functions of the Company, respectively (Note 18).

The Company’s registered office address and principal place of business is at 28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

#### *Initial Public Offering (IPO)*

On July 10, 2020, the SEC rendered effective the Company’s REIT Plan and the registration of its 1,092,986,405 common shares. On July 15, 2020, the Philippine Stock Exchange, Inc. (PSE) approved the application of the Company for the initial listing of its 1,092,986,405 common shares under the Main Board of the PSE to cover the Company’s IPO. The Company was listed on the Main Board of the PSE on August 13, 2020.

### *Registration as a REIT entity*

The Company's common stock was listed in the PSE on August 13, 2020 as a REIT entity. As a REIT entity, the Company, provided it has complied with the requirements under the REIT Act, is entitled to the following:

- (a) not subject to 2% minimum corporate income tax (MCIT);
- (b) exemption from value-added tax (VAT) and documentary stamp tax (DST) on the transfer of property in exchange of its shares;
- (c) deductibility of dividend distribution from its taxable income; and
- (d) fifty percent (50%) of the standard DST rate on the transfer of real property into the Company, including the sale or transfer of any security interest thereto.

### *Approval and authorization for issuance of the financial statements*

These financial statements have been approved and authorized for issue by the Board of Directors (BOD) on February 19, 2024.

## **2 Cash**

The account as at December 31 consists of:

	2023	2022
Cash on hand	232,500	72,500
Cash in banks	41,526,046	62,680,882
	41,758,546	62,753,382

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned for the years ended December 31, 2023, 2022 and 2021 are disclosed in Note 14.

There are no restrictions on the Company's cash balances as at December 31, 2023 and 2022.

## **3 Receivables**

The account as at December 31 consists of:

	Notes	2023	2022
Finance lease receivables	16,18	8,970,700,468	3,221,146,005
Due from related parties	18	3,572,116,662	1,095,318,852
Trade receivables - billed		764,788,173	647,588,205
Other receivables		2,349,543	1,990,659
		13,309,954,846	4,966,043,721
Allowance for credit losses		(117,249,385)	(60,404,901)
		13,192,705,461	4,905,638,820
Less: Non-current portion of finance lease receivables		(8,055,590,803)	(2,986,455,069)
Current portion of receivables		5,137,114,658	1,919,183,751

Trade receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are non-interest bearing and are generally collectible on 30-day term.

Other receivables pertain to non-interest bearing advances to employees which are subject to liquidation upon completion of the business transaction.

Movements in the allowance for credit losses of trade receivables for the years ended December 31 are as follows:

	Note	2023	2022
At January 1		60,404,901	37,456,046
Provision for doubtful accounts	15	56,844,484	22,948,855
At December 31		117,249,385	60,404,901

There were no receivables pledged as collaterals as at December 31, 2023 and 2022.

#### 4 Other assets

##### (a) Other current assets

The account as at December 31 consists of:

	2023	2022
Input VAT	163,381,035	141,061,071
Recoverable deposits	14,764,815	14,764,815
	178,145,850	155,825,886

Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT pertaining to sale of goods and services that have been incurred and billings which have been received as at date. The input VAT can also be refunded subject to the approval of the BIR. Input VAT is expected to be applied against output VAT within 12 months from reporting date.

As at December 31, 2023 and 2022, the amount of input VAT includes claim for refund amounting to P24.73 million, which is still awaiting approval from the BIR.

Recoverable deposits pertain to various utility deposits recoverable within 12 months from reporting date.

##### (b) Other non-current assets

The account as at December 31 consists of:

	2023	2022
Input VAT	1,173,692,852	1,044,601,418
Deferred input VAT	279,408,203	548,188,358
Creditable withholding taxes (CWT)	266,992,694	168,644,360
Advances to contractors	1,375,715	278,907
	1,721,469,464	1,761,713,043
Allowance for probable losses on CWT	(118,587,338)	(72,000,000)
	1,602,882,126	1,689,713,043

The remaining balance of input VAT and deferred input VAT are assessed to be recoverable beyond 12 months from reporting date.

Deferred input VAT pertains to input tax on the Company's purchases of goods and services not yet settled during the year which is available for offset against the Company's future output VAT.

CWT represent the income tax amount withheld by the Company. These are recognized upon collection of the related income and utilized as tax credits against income tax due. The CWT can also be refunded subject to the approval of the BIR.



The movements in allowance for probable losses on CWT for the years ended December 31 are as follows:

	Note	2023	2022
At January 1		72,000,000	33,000,000
Provision for probable losses	15	46,587,338	39,000,000
At December 31		118,587,338	72,000,000

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.

## 5 Investment properties

The account consists of properties that are either held for capital appreciation, for rental purposes or both. The Company's investment properties are carried at fair value.

The movements in investment properties for the years ended December 31 are as follows:

	Note	2023	2022
At January 1		60,871,459,005	50,081,060,761
Additions		22,680,869,285	11,334,580,967
Properties under finance lease	16	(5,497,931,010)	-
Fair value adjustment		201,349,728	(544,182,723)
At December 31		78,255,747,008	60,871,459,005

Additions for the year ended December 31, 2023 include acquisition of new properties amounting to P22,680.87 million (2022 - P11,334.58 million), which is inclusive of capitalized local taxes amounting to P137.95 million (2022 - P19.84 million) and subsequent expenditures amounting to P63.22 million (2022 - P56.84 million).

On December 29, 2022, the SEC approved the property-for-share-swap via tax-free exchange transaction of the Company. These were acquired from ALI and involved six (6) commercial properties namely:

- eBloc 1 - A 12-level, Philippine Economic Zone Authority (PEZA)-accredited office development, located in Cebu IT Park with gross leasable area (GLA) of 20,841.90 square meters (sqm).
- eBloc 2 - A 17-level, PEZA-accredited office development, located in Cebu IT Park with GLA of 27,727.33 sqm.
- eBloc 3 - A 12-level, PEZA-accredited office development, located in Cebu IT Park with GLA of 15,233.00 sqm.
- eBloc 4 - A 12-level, PEZA-accredited office development, located in Cebu IT Park with GLA of 16,166.63 sqm.
- ACC Tower - A 20-level, PEZA-accredited office development, located in Ayala Center Cebu, Cebu Business Park with GLA of 27,517.00 sqm.
- Tech Tower - A 12-level, PEZA-accredited office development, located along Sumilon corner Camiguin Roads, Cebu City with GLA of 16,812.74 sqm.

On September 20, 2023, the SEC approved the property-for-share-swap via tax-free exchange transaction of the Company. These were acquired from ALI, ALMI and NBCC and involved four (4) office buildings and two (2) mall buildings, namely:

- Glorietta 1 and 2 Mall Wings - A four (4)-storey commercial development with three (3) basement floors and equipment, redeveloped in 2013, located in Makati Commercial Center, San Lorenzo Village, Makati City with gross floor area of 68,763.84 sqm.
- Glorietta BPO 1 and BPO 2 - A seven (7)-storey and an eight (8)-storey PEZA-accredited office development and equipment located within Makati Commercial Center, San Lorenzo Village, Makati City, with GLA of 18,770 sqm and 21,256 sqm, respectively.

- One Ayala East Tower - A 23-level PEZA-accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Brgy. San Lorenzo, Makati City, with GLA of 30,999.07 sqm.
- One Ayala West Tower - An 18-level PEZA-accredited office development and equipment, located along Ayala corner EDSA Avenues, Brgy. San Lorenzo, Makati City, with GLA of 39,996.00 sqm.
- Marquee Mall - A three (3)-level commercial development and equipment, located along Francisco G. Nepo Avenue, Angeles City, Pampanga with a gross floor area of 66,041.04 sqm.

On July 1, 2023, the Company entered into a lease agreement with ALMI, a wholly-owned subsidiary of ALI, for the Glorietta 1 & 2 Mall Wings that is payable on a quarterly guaranteed lease for a period of 25 years. The Company derecognized the portion of the property under finance lease (Note 16).

On July 1, 2023, the Company entered into a lease agreement with NBCC, a wholly-owned subsidiary of ALI, for the Marquee mall that is payable on a quarterly guaranteed lease for a period of 25 years. The Company derecognized the portion of the property under finance lease (Note 16).

As at December 31, 2023, the investment properties are composed of 14 stand-alone buildings, five mixed-used properties, nine condominium office units, and four land parcels as follows:

Name of properties	Details and location
<i>Stand-alone buildings</i>	
Solaris One	One (1) building in Makati City
McKinley Exchange	One (1) building in Makati City
Teleperformance Cebu	One (1) building in Cebu I.T. Park, Cebu City
eBloc Towers 1-4	Four (4) towers in Cebu I.T. Park, Cebu City
ACC Tower	One (1) tower in Ayala Center Cebu, Cebu Business Park, Cebu City
Tech Tower	One (1) tower in Sumilon cor. Camiguin Roads, Cebu City
Evotech One and Two	Two (2) office buildings in Laguna
Bacolod Capitol Corporate Center	One (1) building in Bacolod City, Negros Occidental
Ayala Northpoint Technohub	One (1) building in Bacolod City, Negros Occidental
Marquee Mall	One (1) mall building in Angeles City, Pampanga
<i>Mixed-use properties</i>	
Ayala North Exchange	Two (2) office towers and one (1) serviced apartment in Makati City
The 30 <sup>th</sup> Commercial Development	One (1) office building and one (1) mall building in Pasig City
Vertis North Commercial Development	Three (3) office towers and one (1) mall building in Quezon City
One Ayala Development	Two (2) office towers in Makati, City
Glorietta 1&2	Two (2) office buildings and two (2) mall buildings in Makati, City
<i>Condominium office units</i>	
BPI-Philam Life Makati	Three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, Makati City
BPI-Philam Life Alabang	Six (6) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City
<i>Land parcels</i>	
Laguna Technopark	Four (4) land parcels in Laguna Technopark, Laguna

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. As at December 31, 2023 and 2022, the fair value of the investment properties was determined by an independent and professionally qualified appraiser engaged by management.

The fair value of the Company's investment properties was determined using the Income approach, which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value. In 2022, the same valuation approach was used, except for the valuation of the land parcels at Laguna Technopark which was determined using the Market approach.

For the Income approach, the fair value is calculated taking into consideration significant inputs and assumptions such as the discount rate, growth rate and free cash flows. For the Market approach, the fair value is calculated based on the market prices of comparable assets that have been recently sold or those that are still available, adjusted for locational and physical factors.

Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value measurement while a change in the assumption used for the lease income growth rate and market prices is accompanied by a directionally similar change in the Company's fair value of investment properties.

The fair value of the Company's investment properties is categorized under Level 3 in the fair value hierarchy as at December 31, 2023 and 2022.

The components of the net fair value change in investment properties for the years ended December 31 are as follows:

	2023	2022	2021
Fair value adjustment	201,349,728	(544,182,723)	200,139,056
Straight-line adjustment	(86,563,721)	17,813,632	(35,636,777)
Lease commissions	(15,531,124)	(22,584,893)	-
	99,254,883	(548,953,984)	164,502,279

Rental income and dues earned from investment properties and direct operating expenses incurred for the years ended December 31 are as follows:

	Notes	2023	2022	2021
Rental income	12	5,438,890,870	3,807,533,243	2,506,910,928
Dues	13	1,250,613,030	1,042,991,455	621,005,658
Direct operating expenses	15	1,978,492,974	1,359,803,642	815,866,427

There are no items of investment properties that are pledged as security to liabilities as at December 31, 2023 and 2022.

There are no contractual purchase commitments for investment properties as at December 31, 2023 and 2022.

## 6 Property and equipment, net

The account as at December 31 pertains to electronic data processing equipment. The roll forward analysis follow:

	Note	2023	2022
<i>Cost</i>			
At January 1		2,608,127	2,228,577
Additions		677,751	379,550
At December 31		3,285,878	2,608,127
<i>Accumulated depreciation</i>			
At January 1		2,009,496	1,918,862
Depreciation	15	222,922	90,634
At December 31		2,232,418	2,009,496
Net book value at December 31		1,053,460	598,631

There are no items of property and equipment that are pledged as security to liabilities as at December 31, 2023 and 2022.

There are no contractual purchase commitments for property and equipment as at December 31, 2023 and 2022.

## 7 Accounts and other payables

The account as at December 31 consists of:

	Notes	2023	2022
Due to related parties	18	1,387,841,859	756,623,441
Accounts payable		375,385,620	89,098,143
Taxes payable		202,773,416	90,768,937
Accrued expenses			
Light and water		53,654,236	41,848,381
Repairs and maintenance		50,708,775	14,040,220
Outside services		47,142,815	40,053,232
Professional fees		2,150,753	1,490,524
Rent		869,176	24,956,211
Others		4,545,906	2,114,846
Retention payable		2,464,208	3,188,012
Interest payable	8	-	898,625
		2,127,536,764	1,065,080,572

Accounts payable arises from regular transactions with suppliers and service providers. These are non-interest bearing and are normally settled on 15-day to 60-day terms.

Taxes payable consists of amounts payable to the BIR pertaining to withholding taxes and deferred output VAT.

Other accrued expenses consist mainly of accruals for professional fees, postal and communication, supplies, transportation and travel, security, insurance, and representation.

Retention payable pertains to the portion of contractor's progress billings withheld by the Company which will be released after the satisfactory completion of the contractor's work. The retention payable serves as a security from the contractor should there be defects in the project. These are non-interest bearing and are normally settled upon completion of the relevant contract.

## 8 Short-term and long-term debts

### (a) Short-term debt

As at December 31, 2023, the Company's short-term debt pertains to short-term loans payable with a local bank amounting to P3.00 billion (2022 - P300.00 million), which is unsecured, with a term of 32 days (2022 - 30 days) and with an interest rate of 5.60% (2022 - 5.50%) (Note 18).

### (b) Long-term debt

The account as at December 31 consists of:

	2023	2022
Philippine Peso 2-year bonds due in 2023	-	3,000,000,000
Less: Unamortized transaction cost	-	22,306,070
Current portion of long-term debt	-	2,977,693,930

On December 28, 2021, the Company issued a total of P3.00 billion fixed bonds due 2023 at a rate equivalent to 3.0445% per annum. The bonds represent the first tranche of debt securities issued under the Company's P15.00 billion Debt Securities Program registered with the SEC and the first REIT in the Philippines to list a bond issued to public investors. The bonds have been rated PRS Aaa by PhilRatings, indicating that the obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain the following restrictions: material changes in nature of business; maintenance of aggregate leverage limit; payment of dividends and additional loans maturing beyond a year which will result in non-compliance of the required aggregate leverage limit; merger or consolidation where the Company is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. In 2023 and 2022, these restrictions and requirements were complied with by the Company. The bonds due in 2023 have been fully paid as at December 31, 2023.

Amortization of bond issue costs are included under Interest expense and other charges (Note 15).

Interest expense from short-term and long-term debts for the year ended December 31, 2023 are disclosed in Note 15, all of which are paid as at December 31, 2023 (2022 - P898,625 unpaid) (Note 7).

## 9 Deposits and other liabilities

The account as at December 31 consists of:

	2023	2022
Security deposits	1,667,515,061	1,044,320,392
Advance rentals	1,428,973,801	882,850,489
Deferred credits	325,927,028	57,988,921
	3,422,415,890	1,985,159,802
Less: Current portion of deposits and other liabilities	(649,210,862)	(527,675,373)
Deposits and other liabilities, net of current portion	2,773,205,028	1,457,484,429

The current portion of deposits and other liabilities as at December 31 consists of:

	2023	2022
Security deposits	175,500,235	273,861,011
Advance rentals	322,412,270	235,450,965
Deferred credits	151,298,357	18,363,397
	649,210,862	527,675,373

### (a) Security deposits

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three months' rent and will be refunded to the lessee at the end of the lease term.

The roll forward of security deposits for the years ended December 31 follows:

	Note	2023	2022
<i>Gross amount</i>			
At January 1		1,115,770,346	1,039,267,466
Additions		792,823,358	85,977,166
Refunds		(772,048)	(9,474,286)
At December 31		1,907,821,656	1,115,770,346
<i>Unamortized discount</i>			
At January 1		71,449,954	96,518,385
Additions		203,634,743	1,219,002
Accretion	15	(34,778,102)	(26,287,433)
At December 31		240,306,595	71,449,954
Net book value at December 31		1,667,515,061	1,044,320,392

### (b) Advance rentals

Advance rentals from lessees represent cash received in advance representing rent for a certain number of months which will usually be applied to the last three (3) months' rentals on the related lease contracts.

(c) *Deferred credits*

Deferred credits pertain to the difference between the nominal value of the deposits and its fair value.

The roll forward of deferred credits for the years ended December 31 follows:

	Note	2023	2022
At January 1		57,988,921	83,298,617
Additions		303,779,427	1,219,002
Amortization	12	(35,841,320)	(26,528,698)
At December 31		325,927,028	57,988,921
Less: Current portion		(151,298,357)	(18,363,397)
Non-current portion		174,628,671	39,625,524

## 10 Construction bonds

Construction bonds represent cash bonds to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein by the lessee. The bond will be refunded after full completion of the construction, renovation or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounts to P95.69 million as at December 31, 2023 (2022 - P98.58 million).

## 11 Equity

(a) *Paid-up capital*

The details of the Company's paid-up capital as at December 31 follow:

	2023	2022
Authorized	4,050,000,000	2,950,000,000
Par value per share	10.00	10.00
Issued and outstanding shares	2,368,606,573	1,761,047,193

The changes in the number of common shares for the years ended December 31 follow:

	2023	2022	2021
<i>Authorized number of shares</i>			
At January 1 (P10.00 par value)	2,950,000,000	2,950,000,000	1,174,000,000
Increase in authorized capital stock	1,100,000,000	-	1,776,000,000
At December 31	4,050,000,000	2,950,000,000	2,950,000,000
<i>Issued shares</i>			
At January 1	1,828,377,163	1,576,240,780	1,092,986,405
Issuance of new shares	607,559,380	252,136,383	483,254,375
At December 31	2,435,936,543	1,828,377,163	1,576,240,780
<i>Treasury shares</i>			
At January 1 and December 31	(67,329,970)	(67,329,970)	(67,329,970)
Outstanding shares at December 31	2,368,606,573	1,761,047,193	1,508,910,810

On October 7, 2021, the SEC approved the increase in authorized capital stock of 1,776,000,000 common shares with a par value of P10.00 per share and approved subscriptions of ALI, WCVL and GDI of shares in exchange for the identified properties for 483,254,375 common shares with an exchange price of P32.00 per share.

On March 10, 2022 and April 21, 2022, the Company's BOD and its stockholders, respectively, approved the issuance of 252,136,383 primary common shares of stock of the Company to ALI at an issue price of P44.65 per share in exchange for the identified properties. On December 29, 2022, the SEC approved the property-for-share swap transaction (Note 5).

On March 7, 2023 and April 26, 2023, the Company's BOD and its stockholders, respectively, approved the issuance of 607,559,380 primary common shares of stock of the Company to ALI, ALMI and NBCC at an issue price of P37.00 per share in exchange for the identified properties. On September 20, 2023, the SEC approved the increase in authorized capital stock of 1,100,000,000 common shares with a par value of P10.00 per share and the property-for-share swap transaction (Note 5).

*(b) Additional paid-in capital (APIC)*

In 2023, the Company recorded APIC amounting to P16,298.39 million (2022 - P8,688.57 million; 2021 - P10,547.39 million), net of transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares for the year ended December 31, 2023 amounting to P105.72 million (2022 - P47.95 million; 2021 - P35.88 million).

*(c) Cash dividends*

The BOD approved the declaration of cash dividends amounting to P4.07 billion for the year ended December 31, 2023 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved	Payment date to stockholders
Q3 of 2023	November 16, 2023	December 1, 2023	P0.55	P1,302.73 million	December 15, 2023
Q2 of 2023	August 14, 2023	August 30, 2023	P0.53	P933.36 million	September 13, 2023
Q1 of 2023	May 17, 2023	May 31, 2023	P0.52	P915.74 million	June 16, 2023
Q4 of 2022	February 24, 2023	March 10, 2023	P0.52	P915.74 million	March 24, 2023

The BOD approved the declaration of cash dividends amounting to P2.91 billion for the year ended December 31, 2022 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved	Payment date to stockholders
Q3 of 2022	October 11, 2022	October 25, 2022	P0.49	P739.37 million	November 10, 2022
Q2 of 2022	August 12, 2022	August 26, 2022	P0.49	P739.37 million	September 09, 2022
Q1 of 2022	May 19, 2022	June 02, 2022	P0.48	P724.28 million	June 17, 2022
Q4 of 2021	February 24, 2022	March 11, 2022	P0.47	P709.19 million	March 25, 2022

The BOD approved the declaration of cash dividends amounting to P1.73 billion for the year ended December 31, 2021 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved	Payment date to stockholders
Q3 of 2021	September 22, 2021	October 06, 2021	P0.44	P451.29 million	October 22, 2021
Q2 of 2021	August 12, 2021	August 26, 2021	P0.44	P451.29 million	September 10, 2021
Q1 of 2021	May 26, 2021	June 11, 2021	P0.42	P430.78 million	June 25, 2021
Q4 of 2020	February 24, 2021	March 15, 2021	P0.39	P400.01 million	March 25, 2021

**12 Rental income**

The account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Office, retail and land	16	5,205,649,501	3,626,926,514	2,375,942,463
Parking fees	16	197,400,049	154,078,031	108,502,399
Amortization of deferred credits	9	35,841,320	26,528,698	22,466,066
		5,438,890,870	3,807,533,243	2,506,910,928

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions in 2021. Rent discounts and concessions given vary for merchants that are: (1) forced to close and those that are still (2) operational. Rental fees and common charges of merchants who were forced to close during the quarantine period were waived a certain percentage in their common area usage expenses.

### 13 Dues and interest income from finance lease receivables

#### (a) Dues

Dues pertain to net recoveries from tenants for utilities, except for usage of common areas and air-conditioning charges, which are presented at gross of the related expenses. Set out below is the disaggregation of the Company's revenue from non-lease component for the years ended December 31:

	2023	2022	2021
Dues:			
Common area charges	1,205,457,742	880,438,679	535,376,072
Utilities dues	45,155,288	162,552,776	85,629,586
	1,250,613,030	1,042,991,455	621,005,658

#### (b) Interest income from finance lease receivables

Interest income from finance lease receivables pertains to the accretion of finance lease receivables. Interest income from finance lease receivables for the year ended December 31, 2023 amounts to P450.83 million (2022 - P222.32 million; 2021 - P188.55 million).

### 14 Interest and other income

#### (a) Interest income

The account for the years ended December 31 consists of:

	Note	2023	2022	2021
Interest income from:				
Intercompany loans	18	128,495,045	33,710,130	6,966,317
Cash in banks		5,334,627	622,312	242,329
		133,829,672	34,332,442	7,208,646

#### (b) Other income

The account pertains to income earned from interest and penalties arising from late payments.



## 15 Costs and expenses and other charges

### (a) Direct operating expenses

The account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Management fees	18	540,444,364	398,075,418	267,294,759
Taxes and licenses		469,904,775	363,304,266	204,801,681
Land lease	16,18	421,589,053	262,034,140	168,962,930
Repairs and maintenance		272,531,593	165,399,042	83,328,757
Outside services		187,647,959	119,284,197	64,167,146
Insurance		26,645,482	14,357,866	9,617,107
Miscellaneous		17,536,284	10,524,065	5,643,292
Others		42,193,464	26,824,648	12,050,755
		1,978,492,974	1,359,803,642	815,866,427

### (b) General and administrative expenses

The account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Provision for doubtful accounts	3	56,844,484	22,948,855	22,532,287
Provision for probable losses on CWT	4	46,587,338	39,000,000	33,000,000
Systems cost		6,896,260	4,185,393	5,359,691
Taxes and licenses		5,723,217	3,008,543	31,437,964
Professional fees		4,250,112	4,603,471	4,461,905
Depreciation	6	222,922	90,634	42,043
Others		5,824,958	5,653,280	6,563,894
		126,349,291	79,490,176	103,397,784

### (c) Interest expense and other charges

The account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Interest expense from:				
Short-term and long-term debts		93,944,714	100,249,019	81,942,431
Lease liabilities	16	84,126,547	81,832,181	63,009,530
Accretion of security deposits	9	34,778,102	26,287,433	24,868,143
Other charges		24,120,847	22,875,033	15,639,633
		236,970,210	231,243,666	185,459,737

Other charges mainly pertain to amortization of bond issue costs.

## 16 Agreements and lease commitments

### (a) The Company as lessor - operating lease

The Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These non-cancellable leases are subject to 5% to 10% annual escalation rate.

The future minimum rentals receivable under non-cancellable operating leases are as follows:

	2023	2022	2021
Within one year	5,238,667,800	2,854,784,345	2,258,171,359
After one year but not more than five (5) years	15,866,743,989	8,021,660,128	5,264,621,359
More than five years	3,617,758,018	335,045,027	418,483,308
	24,723,169,807	11,211,489,500	7,941,276,026

Total rental income for the year ended December 31, 2023 amounts to P5,438.89 million (2022 - P3,807.53 million; 2021 - P2,506.91 million) (Note 12). Rental income arising from variable rent based on gross sales for the year ended December 31, 2023 amounts to P1.30 million (2022 - P9.08 million; 2021 - P5.65 million).

In 2021, the Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to P48.07 million. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payment and reported as reduction of lease income in 2021. There were no rent concessions granted in 2023 and 2022.

### (b) The Company as lessor - finance lease

On July 8, 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (Note 18). The agreement pertains to the lease of a portion, composed of 18 floors, stacked on top of the headquarters tower, of the ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the lessee for the remaining period of the lease term.

On January 1, 2021, the Company entered into a building lease agreement with NECC for a term of 36 years (Note 18). The agreement pertains to the lease of a retail podium of The 30th. The lease agreement states that the Company shall deliver to NECC the physical possession of the leased premise on January 1, 2021. The lease generally provides for rates based on higher between the (a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years.

On October 1, 2021, the Company entered into a building lease agreement with NECC for a term of 36 years (Note 18). The agreement pertains to the lease of Vertis North Commercial Development Mall. The lease agreement states that the Company shall deliver to NECC the physical possession of the leased premise on October 1, 2021. The lease generally provides for rates based on higher between the (a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years.

On July 1, 2023, the Company entered into building lease agreements with ALMI and NBCC for a term of 25 years (Note 18). The agreement pertains to the lease of Glorietta 1 & 2 Malls and Marquee Mall buildings, respectively. The lease agreements state that the Company shall deliver to ALMI and NBCC the physical possession of the leased premises on July 1, 2023. The lease generally provides rates based on a fixed rent and shall be subject to an escalation rate of 2.5% per annum.

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	2023	2022	2021
Within one year	915,109,665	234,690,936	236,172,830
After one year and not more than five (5) years	2,783,123,097	946,965,562	943,485,358
More than 5 years	19,286,270,607	7,465,937,702	8,465,334,764
Total undiscounted lease payments and unguaranteed residual value	22,984,503,369	8,647,594,200	9,644,992,952
Less: Unearned finance income	(14,013,802,901)	(5,426,448,195)	(6,359,172,530)
Net investment in the lease	8,970,700,468	3,221,146,005	3,285,820,422

The net investment in the lease with NECC consists of the present value of minimum lease payments amounting to P936.00 million. The Company derecognized the portion of investment property under finance lease amounting to P886.24 million, which resulted in a gain under finance lease amounting P49.76 million in 2021.

The net investment in the leases with ALMI and NBCC consists of the present value of minimum lease payments amounting to P3,448.78 million and P2,049.15 million, respectively. The Company derecognized the portion of investment property under finance lease amounting to P5,497.93 million in 2023 (Note 5). No gain on finance lease was recognized as a result of the transaction.

The Company remains to be the legal owner of the portion of the ANE building, retail podium of The 30th, Vertis North Commercial Development Mall, Glorietta 1 & 2 Malls, and Marquee Mall under finance lease.

*(c) The Company as lessee - land lease agreements (variable rent expense)*

On January 1, 2016, the Company entered into a land lease agreement with ALI for a period of 50 years (Note 18). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross rental income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

Effective October 5, 2018, ALI assigned to the Company the land lease agreement with HLC with a lease term of 40 years. The agreement pertains to land lease of ANE properties. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

Effective October 1, 2020, APRC assigned to the Company its 31-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Teleperformance Cebu building is located. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

Effective January 15, 2021, ALI assigned to the Company its 40-year land lease agreement with MBS Development Corporation (MBS). The agreement pertains to land lease wherein The 30th properties are located. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

Effective October 1, 2021, NECC assigned to the Company its 36-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Vertis Towers 1-3 and Mall building are located. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

Effective October 1, 2021, WCVC assigned to the Company its 36-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Bacolod BPO property building is located. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

On July 7, 2022, the Company entered into a contract of lease with ALI for the lease of land commencing on October 1, 2022 for a period of 36 years. The agreement pertains to land lease of Cebu properties namely, eBloc 1, eBloc 2, eBloc 3, eBloc 4, ACC Tower and Tech Tower. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

On July 1, 2023, the Company entered into a contract of lease with ALI for the lease of land for a period of 36 years. The agreement pertains to land lease of Glorietta 1 and 2 offices and mall. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

On July 1, 2023, the Company entered into a contract of lease with ALI for the lease of land for a period of 41.5 years. The agreement pertains to land lease of One Ayala East and West towers. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

On July 1, 2023, the Company entered into a contract of lease with NBCC for the lease of land for a period of 36 years. The agreement pertains to land lease of Marquee mall. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

The Company's contracts of lease for the land spaces that it occupies does not include any dismantling provision clause; hence, there is no need to recognize an asset retirement obligation.

*(d) The Company as lessee - land and building leases (lease liabilities)*

On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building commencing on February 1, 2020 for a period of 34 years. The agreement pertains to land and building lease of MECC. The rent is payable at a fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.

Effective October 1, 2021, GDI assigned to the Company the land lease agreement with Ceci Realty, Inc. (CECI) with a lease term of 36 years. The agreement pertains to land lease of One and Two Evotech properties. The rent is payable at a fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.

Effective October 1, 2021, WCVC assigned to the Company the land lease agreement with Province of Negros Occidental with a lease term of 50 years. The agreement pertains to land lease of Bacolod Capitol property. The rent is payable at a fixed monthly rate, subject to an escalation rate of ten percent (10%) every five (5) years.

Movement in lease liabilities for the years ended December 31 follows:

	Note	2023	2022
Balance at beginning the year		1,186,580,358	1,153,980,830
Interest expense	15	84,126,547	81,832,181
Payment		(53,896,170)	(49,232,653)
Balance at the end of the year		1,216,810,735	1,186,580,358
Less: Current portion of lease liabilities		(54,204,832)	(50,290,868)
Lease liabilities, net of current portion		1,162,605,903	1,136,289,490

The right-of-use assets are included as part of investment properties and amounts to P999.56 million as at December 31, 2023 (2022 - P1,030.42 million).

The total cash outflow related to leases for the years ended December 31 amounted to:

	Note	2023	2022	2021
Variable lease payments not included in the measurement of lease liabilities	15	421,589,053	262,034,140	168,962,930
Payments of lease liabilities				
Principal portion		-	-	-
Interest portion		53,896,170	49,232,653	37,177,503
Total cash outflows		475,485,223	311,266,793	206,140,433

The following are the amounts recognized in the statement of total comprehensive income from the Company's lease agreements as lessee:

	Note	2023	2022	2021
Rent expense - variable lease payments	15	421,589,053	262,034,140	168,962,930
Interest expense from lease liabilities	15	84,126,547	81,832,181	63,009,530
Total amounts recognized in the statement of total comprehensive income		505,715,600	343,866,321	231,972,460

## 17 Income tax

The account for the years ended December 31 consists of:

	2023	2022	2021
Final	1,066,925	124,462	48,466
Current	-	-	-
Deferred	-	-	-
	1,066,925	124,462	48,466

Prior to the Company's listing date on August 13, 2020, the Company recognized provision for current income tax. The Company started to avail of its tax incentive as a REIT entity after its listing. In 2023, the Company availed of the itemized deduction (2022 - itemized deduction; 2021 - optional standard deduction (OSD)).

As at December 31, 2023 and 2022, deferred tax assets and liabilities are recognized based on the effective income tax rate of 0% under the REIT Act.

The Company has incurred NOLCO in the taxable years 2023 and 2022 which can be claimed as deduction from the regular income tax over a period of three (3) years, and NOLCO in the taxable years 2021 and 2020 which can be claimed as deduction from the regular income tax for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2023	890,518,286	-	890,518,286	2026
2022	340,120,747	-	340,120,747	2025
2021	688,819,663	-	688,819,663	2026
2020	481,283,017	-	481,283,017	2025
	2,400,741,713	-	2,400,741,713	

The reconciliation (in %) between the statutory income tax rate to the effective income tax rate shown in the statement of total comprehensive income follows:

	2023	2022	2021
Statutory income tax rate	25.00	25.00	25.00
Add (deduct) tax effect of:			
Non-deductible expenses	5.77	1.17	18.59
Non-taxable income	(13.07)	(0.37)	(0.93)
Deductible dividends	(17.70)	(25.80)	(34.60)
Deductible expenses (OSD)	-	-	(8.06)
Effective income tax rate	0.00	0.00	0.00

## 18 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

### *Terms and conditions of transactions with related parties*

The Company, in its regular conduct of business, has entered into transactions with related parties consisting of advances, and management, marketing, leasing and administrative service agreements. These are based on terms agreed by the parties. There have been no guarantees provided or received for any related party receivables or payables.

### *Material related party transactions (RPT)*

This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Company's total assets. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

The following tables provide the total balances and amounts of transactions that have been entered into with related parties as at and for the years ended December 31:

	2023		2022		Terms and conditions
	Transactions	Outstanding balances	Transactions	Outstanding balances	
<b>Finance lease receivables</b>					
Ayalaland Malls, Inc. (p)	3,587,914,769	3,587,914,769	-	-	Balances are due quarterly. These are non-interest bearing and secured with the related investment properties (Note 5).
Makati North Hotel Ventures, Inc. (i)	(14,459,018)	2,244,148,705	149,232,107	2,258,607,723	
Northbeacon Commercial Corp. (q)	2,056,607,567	2,056,607,567	-	-	Balances are due annually. These are non-interest bearing and secured with the related investment properties (Note 5).
North Eastern Commercial Corp. (j)	119,491,145	1,082,029,427	73,089,719	962,538,282	Balances are due quarterly. These are non-interest bearing and secured with the related investment properties (Note 5).
		8,970,700,468		3,221,146,005	
<b>Due from related parties</b>					
<i>Parent Company</i>					Balances are due and demandable. These are interest and non-interest bearing, and unsecured. No impairment is recognized.
Ayala Land, Inc. (a and b)	316,689,885	439,653,075	207,180,633	122,963,190	
<b>Affiliates</b>					
Accendo Commercial Corp (b)	125,591,286	126,166,536	37,541,582	575,250	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Airswift Transport, Inc. (b)	(537,729)	18,505,935	16,579,024	19,043,664	
Ayalaland Malls, Inc. (b)	341,833,694	370,772,258	17,859,806	28,938,564	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Alveo Land Corporation (g)	(6,370,575)	1,569,123	6,183,724	7,939,698	
Solinea Inc. (b)	107,133,958	145,154,081	38,020,123	38,020,123	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Portico Land Corp. (b)	179,973,473	179,973,473	-	-	
Amaia Land Corporation (b)	111,967,333	115,069,673	81,017,219	3,102,340	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
HLC Development Corporation (b and c)	11,196,642	29,270,387	14,305,731	18,073,745	
Arvo Commercial Corporation (b)	83,928,294	123,131,684	30,435,139	39,203,390	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Avida Land Corporation (b)	424,834	1,470,015	1,045,181	1,045,181	
Amicassa Process Solutions, Inc (b)	99,334	99,334	-	-	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Ayala Malls Zing Inc. (b)	31,449,075	31,449,075	-	-	
Ayala Property Management Corporation (f)	(753,044)	1,759,240	1,590,415	2,512,284	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Ayalaland Estates, Inc. (b)	(65,033,488)	660,991	65,694,479	65,694,479	
Greenhaven Property Venture, Inc. (b)	1,611,532	1,611,532	-	-	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
ALI Triangle Hotel Ventures, Inc. (b)	85,522,230	88,452,186	1,268,950	2,929,956	
Bonifacio Hotel Ventures, Inc. (b)	131,608	131,608	-	-	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
North Triangle Hotel Ventures, Inc. (b)	-	1,678,317	1,678,317	1,678,317	
Southcrest Hotel Ventures, Inc. (b)	10,145,188	10,145,188	-	-	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Ecosouth Hotel Ventures Inc. (b)	41,384,959	41,384,959	-	-	
Econorth Resorts Ventures, Inc. (b)	-	119,225	-	119,225	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Arcasouth Hotel Ventures, Inc. (b)	64,750,001	64,750,001	-	-	
Circuit Makati Hotel Ventures, Inc. (b)	47,485,686	47,547,265	-	61,579	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Sicogon Town Hotel, Inc. (b)	35,468	35,468	-	-	
ALI Makati Hotel Property, Inc. (b)	1,069,586	2,073,660	-	1,004,074	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Sicogon Island Tourism Estate Corp. (b)	197,871,111	219,550,929	21,679,818	21,679,818	
Makati North Hotel Ventures, Inc. (i)	4,523,578	14,637,750	10,114,172	10,114,172	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Ayalaland Logistics Holdings Corp. (b)	76,845,511	82,532,717	-	5,687,206	

(forward)

	2023		2022		Terms and conditions	
	Transactions	Outstanding balances	Transactions	Outstanding balances		
Laguna Technopark Inc. (b)	68,398,657	117,658,096	48,850,961	49,259,439	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.	
Ecozone Power Management, Inc. (b)	142,555,944	143,161,461	605,517	605,517		
LCI Commercial Ventures Inc. (b)	77,198,822	115,366,743	38,167,921	38,167,921		
Unity Realty & Development Corporation (b)	4,003,381	4,003,381	-	-		
Ayalaland Malls Synergies, Inc. (b)	(253,666)	2,210,825	-	2,464,491		
Ayalaland Premier, Inc. (b)	5,889,111	5,889,111	-	-		
Bay City Commercial Ventures Corp. (b)	(304,452,509)	38,153,312	11,537,176	342,605,821		
BellaVita Land Corp. (b)	-	-	-	39,830		
Cagayan De Oro Gateway Corporation (b)	-	537,083	-	537,083		
Capitol Central Commercial Ventures Corp. (b)	(90,689,353)	118,504,569	204,830,304	209,193,922		
Cavite Commercial Towncenter Inc. (b)	194,329,616	234,417,978	39,430,400	40,088,362		
Crans Montana Property Holdings Corporation (b)	24,253,235	25,500,191	-	1,246,956		
Crimson Field Enterprises, Inc. (b)	23,250,125	23,250,125	-	-		
Leisure and Allied Industries Phils. Inc. (b)	15,499,531	15,499,531	-	-		
Makati Cornerstone Leasing Corp. (b)	60,187	65,108	4,921	4,921		
North Eastern Commercial Corp. (j)	4,528,051	17,293,755	12,765,704	12,765,704		
North Triangle Depot Commercial Corp (b)	134,310,795	135,529,739	1,217,959	1,218,944		
Nuevocentro, Inc. (b)	3,575,183	3,575,183	-	-		
Primavera Towncentre, Inc. (b)	26,215,667	26,215,667	-	-		
Soltea Commercial Corp. (b)	4,895,765	5,203,430	2,860,101	307,665		
Sunnyfield E-Office Corp	-	150	-	150		
Ten Knots Development Corporation (b)	19,358,775	19,358,775	-	-		
Ten Knots Philippines, Inc. (b)	200,664,475	201,828,407	1,163,932	1,163,932		
Lio Resort Ventures Inc (b)	65,565	65,565	-	-		
Westview Commercial Ventures Corp. (b)	122,326	2,080,392	7,880,784	1,958,066		
Cebu District Property Enterprise, Inc. (b)	136,424,297	137,085,193	-	660,896		
Central Block Developers, Inc. (b)	(3,700)	-	-	3,700		
Arca South Commercial Ventures Corp. (b)	(2,250,258)	-	-	2,250,258		
Direct Power Services, Inc. (b)	(6,351)	-	6,351	6,351		
Cebu Holdings, Inc. (b)	(38,382)	-	-	38,382		
		3,112,196,210		972,011,376		
<i>AC and other related parties</i>						Balances are due and demandable. These are non-interest-bearing and unsecured. No impairment is recognized.
Bank of the Philippine Islands and subsidiaries	11,773,348	11,773,348	-	-		
BPI/MS Insurance Corporation	7,655,094	7,655,094	-	-		
Globe Telecom Inc.	494,649	838,935	344,286	344,286		
		20,267,377	344,286	344,286		
<b>Total</b>		3,572,116,662		1,095,318,852		
<b>Due to related parties</b>						
<i>Parent Company</i>						
Ayala Land, Inc. (a and b)						Balances are due and demandable. These are non-interest bearing and unsecured.
	233,215,816	394,088,299	104,131,995	160,872,483		
<i>Affiliates</i>						
AyalaLand Malls, Inc. (p)	94,738,798	94,738,798	-	-	Balances are due and demandable. These are non-interest bearing and unsecured.	
ALO Prime Realty Corporation (n)	543,808	543,808	-	-		
Alveo Land Corporation (g)	22,177	22,177	-	-		
HLC Development Corporation (c)	(2,815,127)	16,378,260	19,193,387	19,193,387		
Aprisa Business Process Solutions, Inc (r)	1,569,061	1,569,061	-	-		
Ayala Hotels Inc.	3,772	3,772	-	-		
Ayala Property Management Corporation (f)	25,219,611	49,286,451	78,656,951	24,066,840		
AREIT Fund Manager, Inc. (l)	(1,442,647)	97,739,582	82,291,272	99,182,229		
Ayalaland Metro North, Inc.	808	808	-	-		
First Gateway Real Estate Corp	73,767	73,767	-	-		
Glensworth Development, Inc.	-	4,136,323	4,136,323	4,136,323		
Ayalaland Offices, Inc. (h)	(80,000)	4,085,217	-	4,165,217		
Ayalaland Premier, Inc.	465	465	-	-		
CECI Realty Corp. (o)	2,082,910	27,441,987	91,227,749	25,359,077		
Direct Power Services Inc. (d)	(2,947,280)	65,158,643	184,939,775	68,105,923		
Makati Development Corporation (e)	-	2,019,459	-	2,019,459		
AREIT Property Managers, Inc. (m)	192,572,477	463,880,775	138,926,224	271,308,298		
North Eastern Commercial Corp. (j)	74,660,867	138,709,562	64,048,695	64,048,695		
Philippine Integrated Energy Solutions, Inc.	14,643,081	14,643,081	-	-		
NorthBeacon Commercial Corporation (q)	4,968,928	4,968,928	-	-		
Others*	(1,938,023)	-	1,938,023	1,938,023		
		985,400,924		583,523,471		
<i>AC and other related parties</i>						
Manila Water Company Inc	(4,376,837)	4,121,543	8,498,380	8,498,380	Balances are due and demandable. These are non-interest bearing and unsecured.	
Manila Water Philippine Ventures, Inc.	307,095	4,036,202	3,729,107	3,729,107		
Innovate Communications	155,221	155,221	-	-		
Globe Telecom Inc.	29,570	29,570	-	-		
BPI Capital Corporation	10,100	10,100	-	-		
		8,352,636		12,227,487		
<b>Total</b>		1,387,841,859		756,623,441		

\* Entities with outstanding balances below P2.00 million

The following describes the nature of the material transactions of the Company with related parties:

- (a) The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris, Teleperformance Cebu, Bacolod Ayala Northpoint, Vertis Offices, eBloc Towers 1 to 4, ACC Tower and Tech Tower buildings, One Ayala Office towers, and Glorietta 1 & 2 BPO are located.

The Company recognized land lease expenses under Direct operating expenses for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P309.80 million (2022 - P156.09 million; 2021 - P65.72 million).

On January 31, 2020, the Company entered into a contract of lease with ALI wherein ALI assigned, transferred and conveyed into the Company all of its rights and interests under existing tenant contracts which ALI had entered into with retail merchants and office tenants in connection with the development of MECC property. In addition, the contract of lease with ALI also contains the assumption of obligations wherein the Company thereby assumed all obligations of ALI under the existing tenant contracts in MECC property.

As at December 31, 2023, the outstanding payables amounting to P246.08 million (2022 - P26.35 million) pertain to operating expenses paid by ALI on behalf of AREIT properties.

- (b) In 2023, the Company provides interest-bearing loans to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 5.59% to 6.95% (2022 - 1.74% to 5.28%; 2021 - 2.00% to 3.75%) per annum.

The Company recognized interest income for the year ended December 31, 2023 amounting to P128.50 million (2022 - P33.71 million; 2021 - P6.97 million) (Note 14). Documentary stamp taxes are paid by the borrowers at the time of the loan.

- (c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized land leases under Direct operating expenses for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P71.98 million (2022 - P75.62 million; 2021 - P74.02 million).
- (d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred for the year ended December 31, 2023 amounted to P460.42 million (2022 - P390.40 million; 2021 - P130.06 million), of which the remaining payable as at December 31, 2023 amounts to P65.16 million (2022 - P68.11 million).
- (e) On December 19, 2006, the Company and Makati Development Corp. (the "Contractor") signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the Contractor amounting to P2.02 million as at December 31, 2023 and 2022.
- (f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company. The Company recognized management fees for the year ended December 31, 2023 amounting to P88.99 million (2022 - P32.66 million; 2021 - P28.18 million) (Note 15).
- (g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized rental income for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P5.27 million (2022 - P5.05 million; 2021 - P4.62 million), of which the remaining receivable as at December 31, 2023 amounts to P1.57 million (2022 - P7.94 million).
- (h) The Company's intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to P4.08 million as at December 31, 2023 (2022 - P4.16 million).



- (i) This pertains to the receivable arising from lease agreement with MNHVI (Note 16).

As at December 31, 2023, the Company's outstanding balance related to finance lease amounts to P2,244.15 million (2022 - P2,258.61 million) (Note 16). This includes interest income accretion for the year ended December 31, 2023 amounting to P148.16 million (2022 - P149.23 million, 2021 - 151.39 million) (Note 13).

The Company also recognized receivable as at December 31, 2023 amounting to P14.64 million pertaining to payment for land lease on behalf of MNHVI (2022 - P10.11 million).

- (j) This pertains to the receivable arising from lease agreement with NECC (Note 16).

As at December 31, 2023, the Company's outstanding balance related to finance lease amounts to P1,082.03 million (2022 - P962.54 million) (Note 16). This includes interest income accretion for the year ended December 31, 2023 amounting to P73.26 million (2022 - P73.09 million; 2021 - P37.16 million) (Note 13).

NECC, is also a lessee of the Company for a space in The 30th Corporate Center and Vertis North Corporate Center 1. The Company recognized rental income for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P7.12 million (2022 - P2.11 million; 2021 - P7.73 million).

As at December 31, 2023, the outstanding payables amounting to P138.71 million (2022 - P64.05 million) pertain to expenses paid by NECC on behalf of AREIT for The 30th and Vertis offices operations.

- (k) The Company's intercompany payable to Manila Water Company, Inc. pertains to the outstanding balance of water consumption incurred by the Company amounting to P4.12 million as at December 31, 2023 (2022 - P8.50 million).

The Company recognized utility services in "Utilities" under "Dues" for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P71.16 million (2022 - P38.21 million; 2021 - P26.58 million).

- (l) AREIT Fund Managers, Inc., a subsidiary of ALI, handles the fund manager functions of the Company starting August 13, 2020, in exchange for a fee computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT.

The Company recognized management fees for the year ended December 31, 2023 amounting to P261.27 million (2022 - P198.52 million; 2021 - P135.33 million) (Note 15).

- (m) AREIT Property Managers, Inc., a subsidiary of ALI, handles the property management functions of the Company starting August 13, 2020 in exchange for a fee equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from lease liabilities for the period, provided, that such fee shall not exceed 1% of the net asset value of the properties being managed.

The Company recognized management fees for the year ended December 31, 2023 amounting to P190.18 million (2022 - P166.90 million; 2021 - P103.78 million) (Note 15).

- (n) The Company's payable to ALO Prime Realty Corp. (APRC), a subsidiary of ALI, amounting to P0.54 million pertains to over-remittance of security deposits from TP Cebu tenants as at December 31, 2023 (2022 - nil).

- (o) The Company's payable to Ceci Realty Corp. (CECI), a subsidiary of ALI, amounting to P27.44 million as at December 31, 2023 (2022 - P25.36 million) pertains to electricity of Evotech building.

(p) This pertains to the receivable arising from lease agreement with ALMI (Note 16).

As at December 31, 2023, the Company's outstanding balance related to finance lease amounts to P3,587.91 million (2022 - nil) (Note 16). This includes interest income accretion for the year ended December 31, 2023 amounting to P139.14 million (2022 and 2021 - nil) (Note 13).

As at December 31, 2023, the outstanding payables amounting to P94.74 million pertains to operating expenses paid by ALMI on behalf of AREIT for One Ayala office towers (2022 - nil).

(q) This pertains to the receivable arising from lease agreement with NBCC (Note 16).

As at December 31, 2023, the Company's outstanding balance related to finance lease amounts to P2,056.61 million (2022 - nil) (Note 16). This includes interest income accretion for the year ended December 31, 2023 amounting to P90.27 million (2022 and 2021 - nil) (Note 13).

As at December 31, 2023, the outstanding payables amounting to P4.97 million pertains to lease of land where Marquee Mall is located (2022 - nil).

(r) This payable amounting to P1.57 million as at December 31, 2023 pertains to accounting services rendered by Aprisa to the Company (2022 - nil).

#### *Cash in bank*

The Company has cash in bank balance with the Bank of the Philippine Islands (BPI), an associate of AC, amounting to P16.92 million as at December 31, 2023 (2022 - P45.46 million). Interest income earned from these deposits for the year ended December 31, 2023 amounted to P0.37 million (2022 - P0.14 million; 2021 - P0.11 million).

#### *Short-term debt*

The Company has an outstanding short-term debt payable to BPI amounting to P3.00 billion as at December 31, 2023 (2022 - nil). Interest expense from short-term debt payable to BPI for the year ended December 31, 2023 amounted to P1.38 million (2022 - P1.56 million; 2021 - P23.01 million).

#### *Compensation of key management personnel*

The key management functions of the Company are handled by AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. which charge management fees for such services. See items (l) and (m). Thus, there is no additional key management personnel disclosure required on the Company's financial statements.

## **19 Critical accounting estimates and judgments**

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRSs) requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements. The estimates, judgments and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

## 19.1 Critical judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

### *Assessment of the Company being effectively a 'tax-free' entity*

There are entities which are specifically exempt from income tax under the tax rules, and accordingly are not within the scope of PAS 12, *Income Taxes*. For REIT entities, while not formally designated as 'tax-free' under the tax rules, they are nevertheless "income tax-free" provided that they meet certain conditions (e.g., listing status, dividend payments, etc.). A REIT entity is required to distribute at least 90% of its annual income as a dividend to its investors and is allowed to treat the dividend as deduction for tax purposes making it effectively an "income tax-free" entity.

The Company abides with the provisions of the REIT law and complies with the 90% dividend distribution. The Company has determined, based on its current tax regime and expected dividend distribution in the succeeding periods, that it is effectively an "income tax-free" entity. Accordingly, the Company did not recognize deferred taxes after its listing as a REIT entity.

### *Determination of whether the Company is acting as a principal or an agent*

The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and common usage service area (CUSA) charges like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air conditioning, the Company acts as a principal because it retains the right to direct the service provider of air conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air conditioning charges.

### *Operating lease commitments - the Company as lessor*

The Company has entered into commercial property leases on its investment property portfolios. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated useful life of the assets.

### *Finance lease commitments - the Company as lessor*

The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building, a retail podium of The 30th building, the Vertis Mall, Glorietta Mall 1 and 2 Wings, and the Marquee Mall. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of these properties to the lessee and accounts for the agreements as finance lease.

### *Evaluation whether the acquired set of assets constitute a business*

The Company acquired additional portfolio of investment properties and elected to apply the optional concentration test to determine whether the acquired assets or group of assets constitute a business. The Company has determined that the acquisition is a purchase of asset as the acquisition passed the concentration test as (a) the building is considered a single identifiable asset and (b) substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset. See Note 5 for details of the acquired properties in 2023 and 2022 from various parties.

### **19.2 Critical estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *Provision for expected credit losses (ECL) of trade receivables*

The Company uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience and other forward-looking information, as applicable. For instance, if forecast economic conditions (i.e., gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECL is sensitive to changes in circumstances and forecast of economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

As at December 31, 2023, the carrying value of the Company's receivables amounts to P13,192.70 million (2022 - P4,905.64 million), net of allowance for credit losses amounting to P117.25 million (2022 - P60.40 million) (Note 3).

#### *Evaluating impairment of non-financial assets carried at cost*

The Company assesses at the end of each reporting period whether there is an objective evidence that the input VAT and CWT are no longer recoverable. In determining the recoverable amount of input VAT and CWT, management considers the probability of future transactions or events against which these accounts can be utilized, including adequacy of documentation for anticipated tax audits. Where the final outcome of these matters is different from the amounts that were initially recorded, the carrying amounts of input VAT and CWT are reduced and the amount of probable losses is recognized in profit or loss.

As at December 31, 2023 and 2022, management believes that it will be able to generate future transactions against which the input VAT can be utilized or in worst case scenario, file a claim for refund from tax authorities subject to potential tax audits where management can sustain the positions taken in their tax returns.

As at December 31, 2023, the Company's allowance for probable losses on CWT amounts to P118.59 million (2022 - P72.00 million) (Note 4).

The carrying values of the Company's non-financial assets as at December 31 follow:

	Note	2023	2022
Input VAT	4	1,337,073,887	1,185,662,489
Deferred input VAT	4	279,408,203	548,188,358
CWT, net	4	148,405,356	96,644,360
		1,764,887,446	1,830,495,207

#### *Valuation of investment properties held at fair value*

The Company makes estimates in respect of the fair value of investment properties. The fair values of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rent, expected future market rentals, capital expenditure requirements, and discount rates that reflect current market conditions and current or recent property investment prices. The property valuations have been prepared based on the best available information.

As at December 31, 2023, the fair value of investment properties amounts to P78,255.75 million (2022 - P60,871.46 million) (Note 5). Net fair value change in investment properties recognized in the statement of total comprehensive income amounts to an increase of P99.25 million for the year ended December 31, 2023 (2022 - decrease of P548.95 million; 2021 - increase of P164.50 million) (Note 5).

## **20 Financial risk and capital management**

### **20.1 Financial risk management**

The Company's principal financial instruments comprise of cash, receivables, accounts and other payables and security deposits which arise directly from the conduct of its operations. The main risks arising from the use of financial instruments are liquidity risk and credit risk.

The Company reviews policies for managing each of these risks. The Company monitors market price risk from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Exposure to market, credit, and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Prior to the Company's listing, ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company. Effective August 13, 2020, AREIT Fund Manager's, Inc. handles fund manager functions of the Company (Note 18).

#### **20.1.1 Market risk**

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk includes foreign currency risk, interest rate risk, and other price risks.

##### *Foreign currency risk*

The Company has no financial assets and liabilities denominated in foreign currencies and, therefore, it has no exposure to foreign currency risk.

### Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Cash in banks do not have significant exposure to cash flow interest rate risk as they are subject to minimal interest. Finance lease receivables, due from related parties, and lease liabilities do not have significant exposure to cash flow interest rate risk as such are subject to fixed interest rates. The Company has no financial assets carried at fair value and, therefore, it has no exposure to fair value interest rate risk.

### Price risk

The Company has no exposure to price risk as its financial assets are measured at amortized cost.

### 20.1.2 Credit risk

Credit risk refers to the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risks are primarily attributable to cash, receivables and other financial assets. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis its exposure to credit risks.

Credit risk arising from rental receivables from leased properties is primarily managed through a tenant selection process. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of financial capacity. Except for finance lease and trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

The Company's maximum exposure to credit risk as at December 31 is equal to the carrying values of its financial assets, except for finance lease and trade receivables under "Receivables" in the statement of financial position:

	2023			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	41,526,046	-	41,526,046	-
Receivables				
Finance lease receivables	8,970,700,468	8,970,700,468	-	8,970,700,468
Due from related parties	3,572,116,662	-	3,572,116,662	-
Trade receivables	764,788,173	1,580,476,636	-	764,788,173
Other receivables	2,349,543	-	2,349,543	-
Recoverable deposits	14,764,815	-	14,764,815	-
	13,366,245,707	10,551,177,104	3,630,757,066	9,735,488,641

	2022			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	62,680,882	-	62,680,882	-
Receivables				
Finance lease receivables	3,221,146,005	3,221,146,005	-	3,221,146,005
Due from related parties	1,095,318,852	-	1,095,318,852	-
Trade receivables	647,588,205	801,626,359	-	647,588,205
Other receivables	1,990,659	-	1,990,659	-
Recoverable deposits	14,764,815	-	14,764,815	-
	5,043,489,418	4,022,772,364	1,174,755,208	3,868,734,210

The aging analysis of the Company's receivable presented per class as at December 31 follows:

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
2023							
Finance lease receivables	8,970,700,468	-	-	-	-	-	8,970,700,468
Due from related parties	2,595,604,000	44,799,033	15,246,510	33,066,481	883,400,638	-	3,572,116,662
Trade receivables - billed	1,349,304	251,609,006	196,782,679	127,578,629	70,219,170	117,249,385	764,788,173
Total	11,567,653,772	296,408,039	212,029,189	160,645,110	953,619,808	117,249,385	13,307,605,303

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
2022							
Finance lease receivables	3,221,146,005	-	-	-	-	-	3,221,146,005
Due from related parties	860,700,000	67,966,991	46,933,538	7,847,173	111,871,150	-	1,095,318,852
Trade receivables - billed	40,670,843	447,376,687	443,356	80,426,135	18,266,283	60,404,901	647,588,205
Total	4,122,516,848	515,343,678	47,376,894	88,273,308	130,137,433	60,404,901	4,964,053,062

(a) *Trade receivables*

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. ECL related to trade receivables is minimal given its low credit risk and the receivables are generally covered by security deposits.

As at December 31, 2023, the allowance for credit losses of trade receivables amounts to P117.25 million (2022 - P60.40 million) (Note 3).

(b) *Cash in banks*

As at December 31, 2023 and 2022, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

(c) *Finance lease receivables*

The Company has applied the simplified approach and has calculated allowance for credit losses based on lifetime ECL for finance lease receivables. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

As at December 31, 2023 and 2022, the ECL related to the Company's finance lease receivables is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty, and the counterparties are generally of good credit standing.

(d) Due from related parties

As at December 31, 2023 and 2022, the Company did not provide any allowance relating to due from related parties since there is no history of default payments. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operate.

### 20.1.3 Liquidity risk

The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while working capital requirements are sufficiently funded through cash collections and capital infusion by stockholders.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost and ensures the availability of ample unused credit facilities as back-up liquidity.

The Company's cash is maintained at a level that will enable it to fund its operations as well as to have additional funds as buffer for any opportunities or emergencies that may arise. To manage the Company's liquidity, credit line facilities with designated local banks, as approved by the Board of Directors, were obtained. The Company's available credit line with various local banks as at December 31, 2023 is P23.00 billion (2022 - P19.00 billion). The Company may also refinance its loans and manage payment terms for its payables.

The tables below summarize the maturity profile of the Company's financial instruments as at December 31 based on contractual undiscounted payments:

	2023			Total
	< 1 year	1 to 5 years	> 5 years	
<b>Financial assets</b>				
Cash in banks	41,526,046	-	-	41,526,046
Receivables				
Finance lease receivables	915,109,665	2,783,123,097	19,286,270,607	22,984,503,369
Due from related parties	3,597,384,191	-	-	3,597,384,191
Trade receivables*	647,538,788	-	-	647,538,788
Recoverable deposits	14,764,815	-	-	14,764,815
	5,216,323,505	2,783,123,097	19,286,270,607	27,285,717,209
<b>Financial liabilities</b>				
Accounts and other payables				
Due to related parties	1,387,841,859	-	-	1,387,841,859
Accounts payable	375,385,620	-	-	375,385,620
Accrued expenses	159,071,661	-	-	159,071,661
Retention payable	2,464,208	-	-	2,464,208
Interest payable	-	-	-	-
Short-term debt	3,014,933,333	-	-	3,014,933,333
Security deposits	479,326,477	873,122,113	555,373,066	1,907,821,656
Lease liabilities	53,730,251	226,853,493	4,017,826,924	4,298,410,668
Construction bonds	95,692,253	-	-	95,692,253
	5,568,445,662	1,099,975,606	4,573,199,990	11,241,621,258
<b>Net liquidity (gap) position</b>	<b>(352,122,157)</b>	<b>1,683,147,491</b>	<b>14,713,070,617</b>	<b>16,044,095,951</b>

\* Net of allowance for ECL



	2022			Total
	< 1 year	1 to 5 years	> 5 years	
Financial assets				
Cash in banks	62,680,882	-	-	62,680,882
Receivables				
Finance lease receivables	234,690,936	946,965,562	7,465,937,702	8,647,594,200
Due from related parties	1,095,318,852	-	-	1,095,318,852
Trade receivables*	587,183,304	-	-	587,183,304
Recoverable deposits	14,764,815	-	-	14,764,815
	1,994,638,789	946,965,562	7,465,937,702	10,407,542,053
Financial liabilities				
Accounts and other payables				
Due to related parties	756,623,441	-	-	756,623,441
Accounts payable	89,098,143	-	-	89,098,143
Accrued expenses	124,503,414	-	-	124,503,414
Retention payable	3,188,012	-	-	3,188,012
Interest payable	898,625	-	-	898,625
Short-term debt	3,300,000,000	-	-	3,300,000,000
Security deposits	483,952,432	447,962,937	112,405,023	1,044,320,392
Lease liabilities	50,290,868	174,272,079	4,181,960,759	4,406,523,706
Construction bonds	98,584,276	-	-	98,584,276
	4,907,139,211	622,235,016	4,294,365,782	9,823,740,009
Net liquidity (gap) position	(2,912,500,422)	324,730,546	3,171,571,920	583,802,044

\* Net of allowance for ECL

## 20.2 Capital risk management

The primary objective of the Company's capital management policies is to afford the financial flexibility to support its business initiatives while providing a sufficient cushion to absorb cyclical industry risks and to maximize stakeholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company's sources of capital as at December 31 follow:

	2023	2022
Paid-up capital	24,359,365,430	18,283,771,630
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	36,320,032,381	20,021,645,532
Retained earnings	23,403,738,698	22,440,772,367
	83,409,836,809	60,072,889,829

There are no changes made in the Company's capital management objectives, policies or processes.

### Loan covenants

The Company is subject to externally imposed capital requirements from its debt covenants (Note 8) and the requirement of the REIT Act section 8.10, *Aggregate Leverage Limit*. In 2023 and 2022, the Company is compliant with its debt covenants and requirements of the REIT Act.

## 20.3 Fair value measurement

The Company follows the fair value measurement hierarchy to disclose the fair value measurements of its financial instruments. The table below summarizes the fair value measurement of the Company's assets and liabilities at December 31, all of which are under Level 3 in the fair value hierarchy:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Finance lease receivables	8,970,700,468	10,470,115,115	2,986,455,069	2,981,530,484
Lease liabilities	1,216,810,735	1,415,307,693	1,136,289,490	1,106,028,172
Security deposits	1,667,515,060	1,580,476,636	1,044,320,392	958,142,795

As at December 31, 2023 and 2022, the Company has no financial instrument measured at fair value.

In 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement. The carrying values of the other financial instruments of the Company as at December 31, 2023 and 2022 approximate their fair values due to the short-term nature of the transactions.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2023 and 2022 are shown below:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Investment properties	DCF Method	Discount rate	2023: 9.51% 2022: 9.76%	Increase (decrease) in the discount rate would decrease (increase) the fair value
Finance lease receivables	DCF Method	Discount rate	2023: 5.20% - 6.12% 2022: 8.41% - 8.66%	Increase (decrease) in the discount rate would decrease (increase) the fair value
Security deposits	DCF Method	Discount rate	2023: 0.85% - 6.03% 2022: 1.18% - 4.63%	Increase (decrease) in the discount rate would decrease (increase) the fair value
Lease liabilities	DCF Method	Discount rate	2023: 5.12% - 6.12% 2022: 8.20% - 9.24%	Increase (decrease) in the discount rate would decrease (increase) the fair value

\* DCF - Discounted cash flows

## 21 Basic and diluted earnings per share

The Company's earnings per share for the years ended December 31 is computed as follows:

	2023	2022	2021
Net income	5,030,544,039	2,887,563,036	2,433,267,040
Weighted average number of common shares	1,932,495,456	1,510,292,379	1,479,405,605
Basic and diluted earnings per share	2.60	1.91	1.64

The Company also assessed that there were no potential dilutive common shares in 2023, 2022 and 2021.

## 22 Segment reporting

The Company has determined that it is currently operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments*.

The Company's operations on its four parcels of land, nine condominium units, fourteen stand-alone buildings, and five mixed used properties are its only income-generating activity, and such is the measure used by management in allocating resources.

There were no revenue transactions with external customers which accounted for 10% or more of the total revenues for the year ended December 31, 2023 (2022 - two external customers amounting to P395.04 million and P263.52 million, respectively; 2021 - two external customers amounting to P376.67 million and P253.04 million, respectively).

### *Distributable Income under the IRR of REIT Act of 2009*

Under the Revised Implementing Rules and Regulations (IRR) of REIT Act of 2009, section 4c, the Company shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the Act and the Rule. Distributable income is not a measure of performance under PFRSs.

The computation of distributable income as presented by the management of the Company for the years ended December 31 follows:

	2023	2022	2021
Net income	5,030,544,039	2,887,563,036	2,433,267,040
Unrealized gain:			
Unrealized (gain) loss on fair value change in investment properties	(99,254,883)	548,953,984	(164,502,279)
Gain on finance lease	-	-	(49,763,675)
Impact on DTL of fair value accounting	-	-	-
Impact on DTL of listing as a REIT entity	-	-	-
Distributable income	4,931,289,156	3,436,517,020	2,219,001,086

### 23 Notes to statement of cash flows

Disclosed below is the roll forward of liabilities under financing activities:

*For the year ended December 31, 2023*

	January 1, 2023	Cash flows	Other changes	December 31, 2023
Short-term and long-term debt (a)	3,277,693,930	(300,000,000)	22,306,070	3,000,000,000
Lease liabilities (b)	1,186,580,358	(53,896,170)	84,126,547	1,216,810,735
Interest payable (b)	898,625	(94,843,339)	93,944,714	-
Total liabilities from financing activities	4,465,172,913	(448,739,509)	200,377,331	4,216,810,735

*Other changes pertain to:*

(a) Amortization of bond issue costs

(b) Interest expense

*For the year ended December 31, 2022*

	January 1, 2022	Cash flows	Other changes	December 31, 2022
Short-term debt (a and b)	890,000,000	(590,000,000)	2,977,693,930	3,277,693,930
Lease liabilities (c)	1,153,980,830	(49,232,653)	81,832,181	1,186,580,358
Long-term debt (b and c)	2,957,472,367	-	(2,957,472,367)	-
Interest payable (b and c)	905,750	(100,256,144)	100,249,019	898,625
Total liabilities from financing activities	5,002,358,947	(739,488,797)	202,302,763	4,465,172,913

*Other changes pertain to:*

(a) Amortization of bond issue costs

(b) Reclassification from long-term debt to short-term debt

(c) Interest expense

*For the year ended December 31, 2021*

	January 1, 2021	Cash flows	Other changes	December 31, 2021
Short-term debt	-	890,000,000	-	890,000,000
Lease liabilities (a and b)	871,843,943	(37,177,503)	319,314,390	1,153,980,830
Long-term debt	-	2,957,472,367	-	2,957,472,367
Interest payable (b)	-	(81,036,681)	81,942,431	905,750
Total liabilities from financing activities	871,843,943	3,729,258,183	401,256,821	5,002,358,947

*Other changes pertain to:*

(a) Initial recognition of lease liabilities

(b) Interest expense

The Company's non-cash operating and investing activities are as follows:

#### Operating

- Interest expense arising from the accretion of security deposits amounting to P34.78 million for the year ended December 31, 2023 (2022 - P26.29 million; 2021 - P24.87 million) (Notes 9 and 15).

- Non-cash movement in “Receivables” and “Investment properties” arising from the finance lease agreements with ALMI and NBCC amounting to the same amount of P5,497.93 million in 2023 (2022 - nil; 2021 - NECC amounting to P936.00 million and P886.24 million movement, respectively) (Note 16).

### *Investing*

- Recognition of right-of-use assets recorded under investment properties and lease liabilities in 2021 amounting to P256.30 million for land lease agreements assigned to the Company under the property-for-share swap agreement for Bacolod Capitol Corporate Center and Evotech One and Two.
- Addition in investment properties amounting to P22,479.70 million related to the property-for-share swap agreement for the year ended December 31, 2023 (2022 - P11,257.89 million; 2021 - P15,415.81 million) (Notes 5 and 16).
- Increase in fair value of investment properties, gross of lease commissions and straight-line adjustment, amounted to P201.35 million for the year ended December 31, 2023 (2022 - decrease of P544.18 million; 2021 - increase of P200.14 million) (Note 5).

## **24 Events after the end of the reporting period**

On January 17, 2024, the Company executed a Deed of Absolute Sale with Econorth Resort Ventures, Inc., a wholly-owned subsidiary of ALI, for the acquisition of Seda Lio amounting to P1,192.00 million.

On February 12, 2024, the stockholders of the Company, at its special stockholders’ meeting, approved the issuance of 841,259,412 primary common shares to ALI, its subsidiaries, Greenhaven Property Ventures, Inc. (Greenhaven) and Cebu Insular Hotel Co., Inc. (Cebu Insular), and Buendia Christiana Holdings Corp. (BCHC), a wholly-owned subsidiary of ACEN Corporation, in exchange for identified properties owned by ALI, Greenhaven, Cebu Insular, and BCHC valued at P28,602.82 million under a property-for-share swap at an issue price of P34.00 per share.

On February 19, 2024, the Board of Directors of the Company, at its regular meeting, approved the declaration of cash dividends of P0.55 per outstanding common share for the fourth quarter of 2023. The cash dividends amounting to P1,302.73 million will be payable on March 20, 2024 to stockholders on record as at March 4, 2024.

## **25 Summary of material accounting policies**

### **25.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with PFRSs. The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PASs), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

The financial statements of the Company have been prepared using the historical cost basis, except for investment properties which are measured at fair value.

The preparation of financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 19.

The financial statements have been prepared under the going concern assumption.

### *Functional and presentation currency*

The financial statements of the Company are presented in Philippine Peso. All amounts are rounded off to the nearest Philippine Peso unless otherwise stated.

## **25.2 Adoption of amended accounting standards and interpretation**

### *(a) Amendments to existing standards adopted by the Company effective January 1, 2023*

The following amendments to existing standards have been adopted by the Company effective January 1, 2023:

- Amendments to PAS 1, '*Presentation of Financial Statements*', and PFRS Practice Statement 2, '*Making Materiality Judgments*'

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, PFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of these amendments resulted in changes in the accounting policies disclosed by the Company.

- Amendments to PAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors*'

The amendment to PAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, '*Income Taxes*'

The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in the opening balance of retained earnings, or another component of equity, as appropriate.

There are no other new standards, interpretations and amendments to existing standards effective January 1, 2023 that are considered to be relevant or have a material impact on the Company's financial statements.

*(b) Amendments to existing standards not yet effective and not early adopted by the Company*

The following amendments to existing standards are not mandatory for December 31, 2023 reporting period and have not been early adopted by the Company:

- Amendments to PAS 1, '*Presentation of Financial Statements*'

Amendments made to PAS 1 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability;
- information about the covenants; and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current or non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

- Amendments to PFRS 16, '*Leases*'

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

- Amendments to PAS 7, '*Statement of Cash Flows*', and PFRS 7, '*Financial Instruments: Disclosures*'

The IASB has issued new disclosure requirements about supplier financing arrangements (SFAs), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by the standards fall short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

1. The terms and conditions of SFAs.
2. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
3. The carrying amount of the financial liabilities in item 2 for which suppliers have already received payment from the finance providers.
4. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
5. Non-cash changes in the carrying amounts of financial liabilities in item 2.
6. Access to SFA facilities and concentration of liquidity risk with finance providers.

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

The amendments to existing standards are not expected to have a material impact on the Company's financial statements and on foreseeable future transactions.

### **25.3 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

#### **25.3.1 Financial assets**

##### *Initial recognition and measurement*

The Company's financial assets are classified, at initial recognition, as subsequently measured at amortized cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at its transaction price.

In order for a debt financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that passes the 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.

### *Subsequent measurement - Financial assets at amortized cost (debt instruments)*

The Company's financial assets at amortized cost are classified as such if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

### **25.3.2 Financial liabilities**

#### *Initial recognition and measurement*

The Company's financial liabilities include accounts and other payables, security deposits, construction bonds, short-term and long-term debt, and lease liabilities.

All financial liabilities are recognized initially at fair value, and, in the case of loans, borrowings and payables, net of any directly attributable transaction costs.

The Company's interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as Interest expense and other charges in profit or loss.

### **25.3.3 Derecognition of financial instruments**

#### *Financial asset*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.



### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

#### **25.3.4 Impairment of financial assets**

The Company recognizes an allowance for ECL for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are accessible from reputable credit rating agencies and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, were there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from a reputable credit rating agency to determine whether the debt instrument has significantly increased credit risk and to estimate the ECL.

For trade receivables and finance lease receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company recognizes a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 180 days past due since security deposits and advance rentals are equivalent to 90 days each which are paid at the start of the lease term which will cover any default. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

#### **25.4 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

### *Fair value hierarchy*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

## **25.5 Other assets**

### *Input VAT*

Input VAT is classified as current when the benefits are expected to be realized within 12 months from reporting date. If not, these are classified as non-current. These are carried at cost less allowance for probable losses, if any.

### *CWT*

CWT are carried at cost less allowance for probable losses, if any.

### *Advances to contractors*

Advances to contractors are carried at cost less allowance for probable losses, if any.

## **25.6 Investment properties**

Investment properties comprise completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.

Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "income approach". Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities such as accrued rental income and lease commitments. Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, *Revenue from Contracts with Customers*.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the PAS 16, *Property, plant and equipment*, up to the date of change in use.

## **25.7 Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that other current assets and other non-current assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

## **25.8 Deposits and other liabilities**

### *Deferred credits*

Deferred credits are initially measured as the difference between the cash received and the fair value of security deposits. These are subsequently amortized using the straight-line method and recognized as "Amortization of deferred credits" under "Rental income" in profit or loss. Accretion of discount is recorded under "Interest expense and other charges" in profit or loss.

## **25.9 Equity**

### *Paid-up capital and APIC*

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to APIC.

### *Share issuance costs*

Share issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction of APIC. If APIC is not sufficient, the excess is charged against retained earnings.

### *Treasury shares*

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## **25.10 Revenue recognition**

The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services. Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

### *Dues*

Dues are recognized when the related services are rendered. The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA charges like maintenance, janitorial and security services.

### *Disaggregated revenue information*

The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity.

### *Allocation of transaction price to performance obligation*

Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

### *Timing of revenue recognition*

Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

## **25.11 Income outside the scope of PFRS 15**

### *Rental income*

Rental income under non-cancellable and cancellable leases on investment properties is accounted under operating lease and is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts.

No rental income is recognized when the Company waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment.

### *Interest income*

Interest income is recognized as it accrues using the EIR method.

## **25.12 Costs and expenses**

Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

## 25.13 Leases

### *The Company as lessor - operating lease*

Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### *The Company as lessor - finance lease*

A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company uses the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

### *The Company as lessee*

#### *(a) Right-of-use asset*

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable and linked to the future performance or use of an underlying asset. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life or the lease term. The Company accounts for right-of-use assets using the fair value model in accordance with the policy as stated under investment properties. Right-of-use assets are subject to impairment.

#### *(b) Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

## 25.14 Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

### 25.15 Earnings per share

Basic earnings per share (EPS) is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

### 25.16 Segment reporting

The Company's lease operation is its only segment. Financial information on business segment is presented in Note 22 to the financial statements.

### 25.17 Events after the end of the reporting period

Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

## 26 Report on the supplementary information required by the BIR

Below is the additional information required by Revenue Regulations (RR) No. 15-2010 that is relevant to the Company. This information is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements.

### (a) Output VAT and input VAT

The National Internal Revenue Code (NIRC) of 1997, as amended, provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

The Company is a VAT-registered entity with VAT output declaration of P316,231,271 for the year ended December 31, 2023 based on the vatable sales amounting to P2,635,260,591. Zero-rated sales amounted to P5,167,181,532.

The Company's vatable sales are based on actual collections received, hence, may not be the same as amounts accrued in the statement of total comprehensive income. The Company has zero-rated and exempt sales pursuant to Section 106(A)(2)(a)(5) of the Tax Code and Sections 109(A), 109(K) and 109 of the Tax Code, respectively.

Movements in input VAT for the year ended December 31, 2023 follow:

	Amount
At January 1, 2023	1,148,669,499
Capital goods not subject to amortization	368,621
Input tax on depreciable capital goods not attributable to any specific activity	268,780,155
Domestic purchases/payments for:	
Domestic purchases of services	192,954,805
Purchase of goods other than capital goods	5,910,629
Total input VAT	1,616,683,709
Less: Balance applied against output VAT	(316,231,271)
At December 31, 2023	1,300,452,438

*(b) Documentary stamp tax*

Documentary stamp taxes paid for the year ended December 31, 2023 amounted to P97.66 million, which pertains to the issuance of new shares and lease contracts of various tenants.

*(c) All other local and national taxes*

All other local and national taxes accrued and paid for the year ended December 31, 2023 consist of:

	Amount
Real property tax	354,245,565
Business permit	112,153,969
Fire permit	951,954
Community tax	10,500
BIR annual registration	500
Others	8,265,504
	<u>475,627,992</u>

All other taxes, local and national, including real estate taxes, licenses and permit fees are presented as part of "Taxes and licenses" under Direct operating expenses and General and administrative expenses in the statement of total comprehensive income.

*(d) Withholding taxes*

The amount of withholding taxes paid and accrued for the year ended December 31, 2023 follows:

	Total remittances	Withholding taxes payable	Total
Expanded withholding taxes	33,804,527	48,707,836	82,512,363
Final withholding taxes	67,786,084	24,939,468	92,725,552
	<u>101,590,611</u>	<u>73,647,304</u>	<u>175,237,915</u>

Total remittances pertain to tax payments made for the reporting period covering January 2023 to November 2023. The outstanding withholding taxes payable, included in Taxes payable under "Accounts and other payables" in the statement of financial position, as at December 31, 2023 represents the withholding taxes for the month of December 2023 which were remitted in January 2024.

*(e) Taxes on importation*

The Company has not made any importations in 2023.

*(f) Excise tax*

The Company has no transactions subject to excise tax in 2023.

*(g) Tax assessments and cases*

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR as at December 31, 2023.

**AREIT, Inc.**

**Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2023

(All amounts in Philippine Peso)

<b>Unappropriated Retained Earnings, beginning of the year</b>	4,759,857,104
Add: Category A: Items that are directly credited to Unappropriated retained earnings	
Reversal of retained earnings appropriation/s	-
Effect of restatements or prior-period adjustments	-
Others (describe nature)	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings	
Dividend declaration during the reporting period	4,067,577,708
Retained earnings appropriated during the reporting period	-
Effect of restatements or prior-period adjustments	-
Others (describe nature)	-(4,067,577,708)
<b>Unappropriated Retained Earnings, as adjusted</b>	692,279,396
Add/Less: Net income (loss) for the current year	5,030,544,039
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	-
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Unrealized fair value gain of investment property	99,254,883
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs (describe nature)	-(99,254,883)

(continued)



**AREIT, Inc.****Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2023

Page 2

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Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs	-	-
<hr/>		
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs, previously recorded (describe nature)	-	-
<hr/>		
Adjusted net income		4,931,289,156
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-

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*(continued)*

**AREIT, Inc.**

**Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2023

Page 3

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Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution	
Net movement of treasury shares (except for reacquisition of redeemable shares)	-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-
Others (describe nature)	-

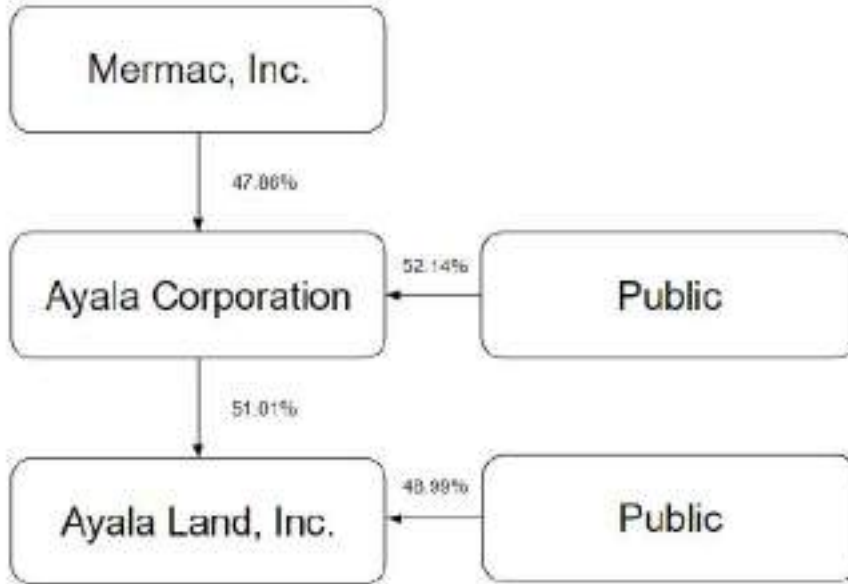
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<b>Total Retained Earnings, end of the year available for dividend declaration</b>	<b>5,623,568,552</b>
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**AREIT, Inc.**

Map of the Group of Companies within which the Reporting Entity belongs  
As at December 31, 2023

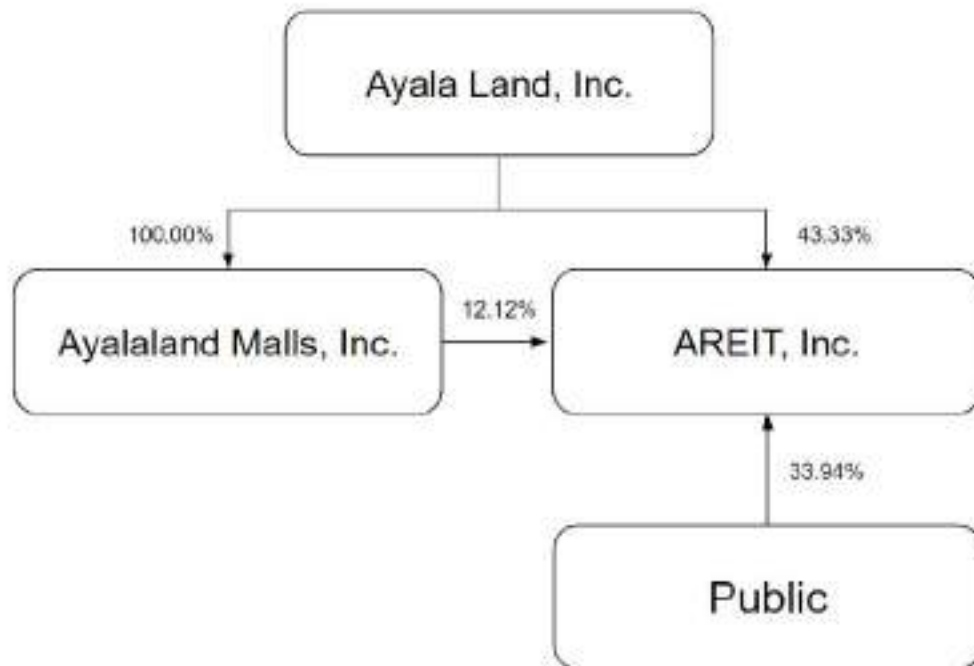


**AREIT, Inc.**

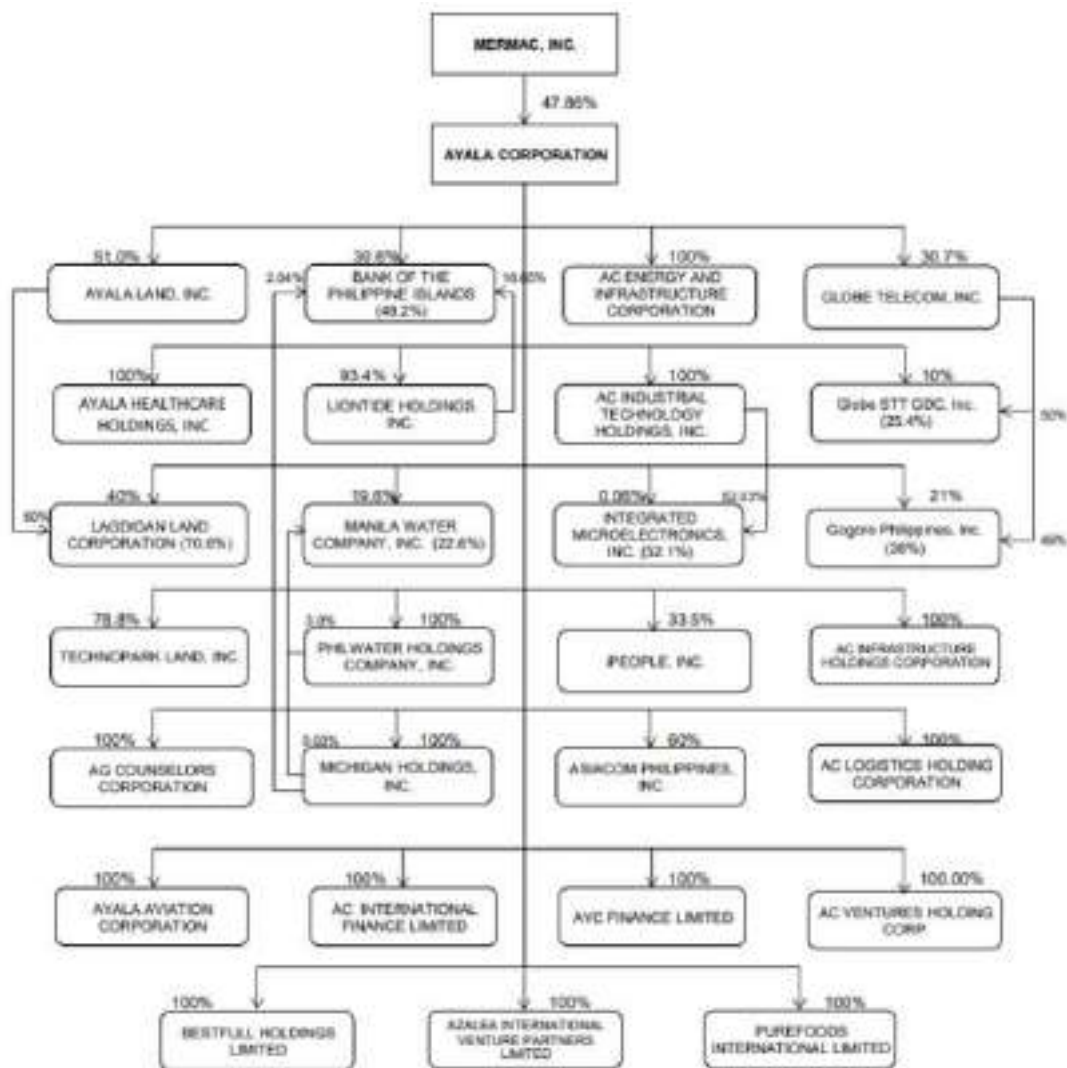
**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2023

Page 2



**AREIT, Inc.**  
**Map of the Group of Companies within which the Reporting Entity belongs**  
 As at December 31, 2023  
 Page 3



**Legend:**  
 % of ownership appearing outside the box - direct % of economic ownership  
 % of ownership appearing inside the box - effective % of economic ownership

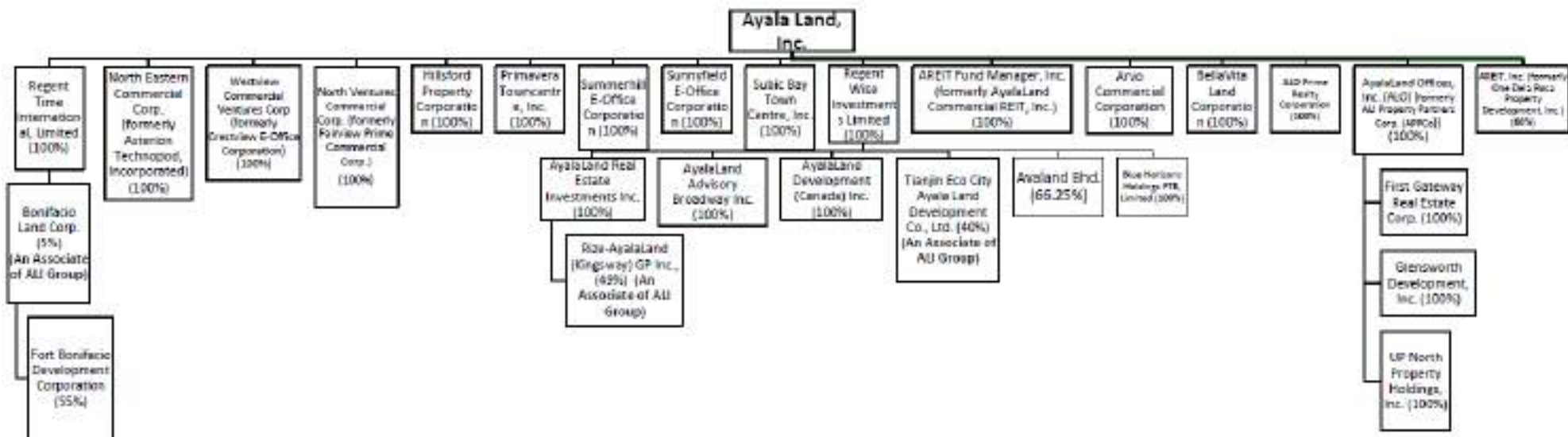


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2023

Page 5

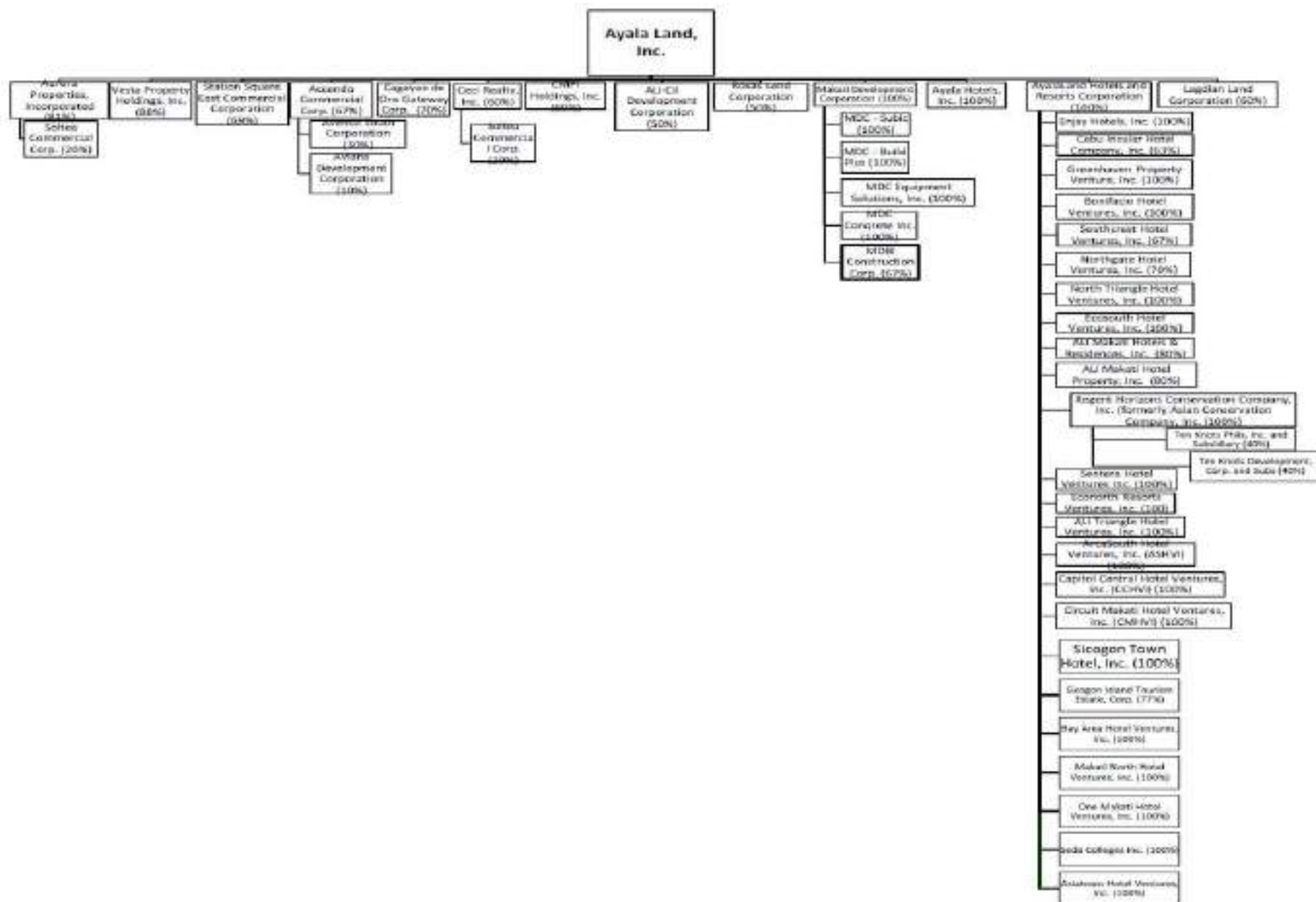


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2023

Page 6



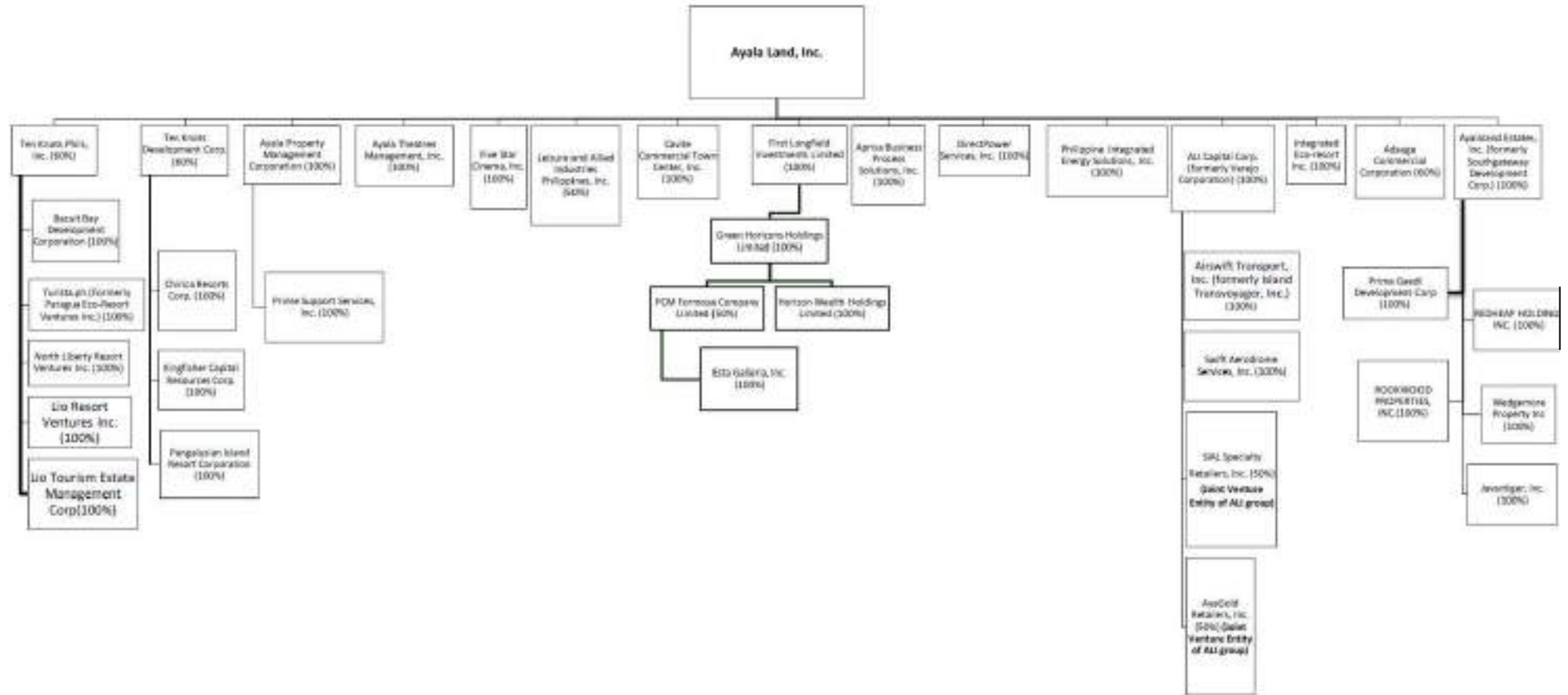


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2023

Page 7

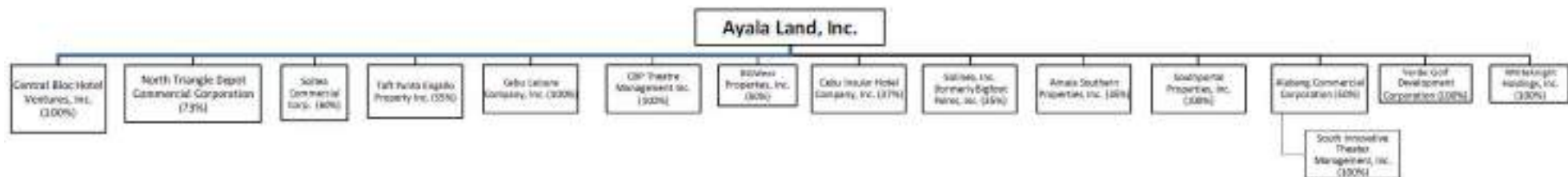


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2023

Page 8

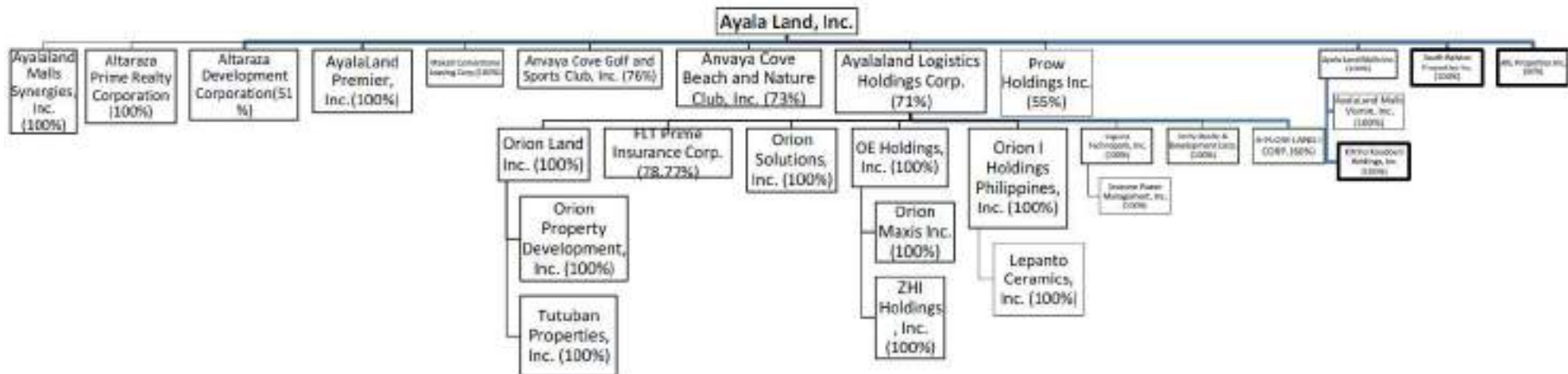


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2023

Page 9



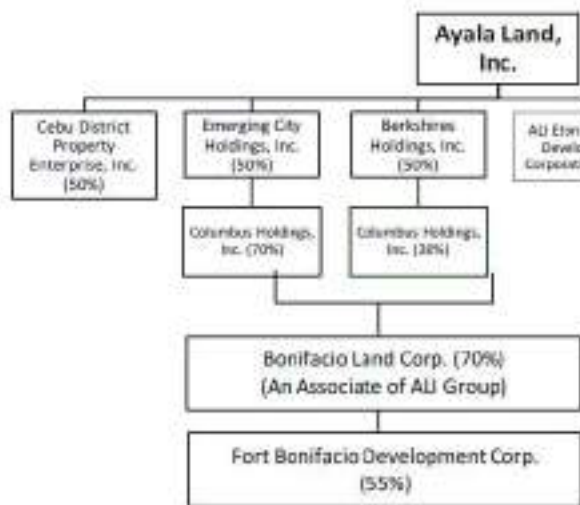
**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

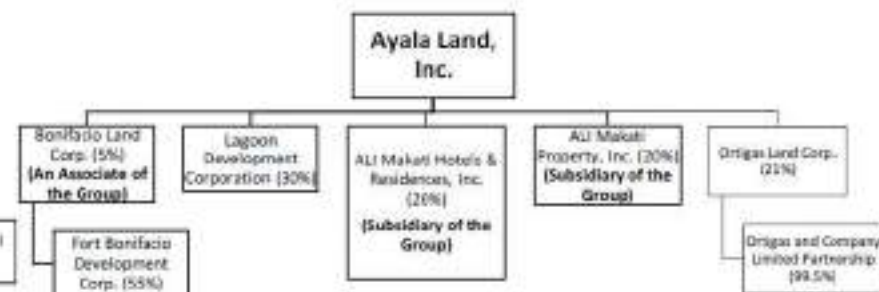
As at December 31, 2023

Page 10

Direct Investments in Joint Ventures



Direct Investments in Associates



**AREIT, Inc.**

Schedule A - Financial Assets  
As at December 31, 2023  
(All amounts in Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of financial assets	Amounts shown in the statement of financial position	Income received and accrued
Cash in bank*			
Bank of the Philippine Islands	16,923,503	16,923,503	370,085
Deutsche Bank	24,602,543	24,602,543	4,545,630
	41,526,046	41,526,046	4,915,715
Short term investments	-	-	418,912
Receivables**			
Finance lease receivables	8,970,700,468	8,970,700,468	450,832,306
Due from related parties	3,572,116,662	3,572,116,662	128,495,045
Trade receivables - billed	764,788,173	764,788,173	-
Other receivables	2,349,543	2,349,543	-
	13,309,954,846	13,309,954,846	579,327,351
	13,351,480,892	13,351,480,892	584,661,978

\* See Note 2 to the financial statements.

\*\* See Note 3 to the financial statements.





**AREIT, Inc.**

Schedule D - Supplementary Schedule of Long-Term Debt  
As at December 31, 2023

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt” in related Statement of Financial Position	Amount shown under caption “Long-term debt” in related Statement of Financial Position
N/A	N/A	N/A	N/A



**AREIT, Inc.**

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)  
As at December 31, 2023

Name of related party	Balance at the beginning of the period	Balance at the end of the period
N/A	N/A	N/A

**AREIT, Inc.**

Schedule F - Guarantees of Securities of Other Issuers  
As at December 31, 2023

Name of issuing entity of securities guaranteed by the Company for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by the company for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

**AREIT, Inc.**

Schedule G - Capital Stock  
As at December 31, 2023

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by related parties	Number of shares held by directors, officers, and employees	Others
Common	4,050,000,000	2,368,606,573	-	1,564,849,666	7	-
Total	4,050,000,000	2,368,606,573	-	1,564,849,666	7	-

See Note 11 to the financial statements.

**AREIT, Inc.**

Financial Soundness Indicators  
As at December 31, 2023  
(With comparative figures as at December 31, 2022 and 2021)  
(All amounts are in Philippine Peso, unless otherwise stated)

Ratio	Formula	2023	2022	2021	
<b>A. Current and liquidity ratios</b>					
1. Current ratio	Total current assets	5,357,019,054	0.90	0.43	0.67
	Divided by: Total current liabilities	5,926,644,711			
	Current ratio	0.90			
2. Acid test ratio	Total current assets	5,357,019,054	0.87	0.39	0.63
	Less: Other current assets	(178,145,850)			
	Quick assets	5,178,873,204			
	Divided by: Total current liabilities	5,926,644,711			
	Acid test ratio	0.87			
<b>B. Solvency ratio</b>					
	Net income	5,030,544,039	1.68	0.88	0.63
	Add: Depreciation	222,922			
	Net income before depreciation	5,030,766,961			
	Divided by: Total debts*	3,000,000,000			
	Solvency ratio	1.68			
<b>C. Debt-to-equity ratio</b>					
	Total debts	3,000,000,000	0.04	0.05	0.08
	Divided by: Total equity	83,409,836,809			
	Debt-to-equity ratio	0.04			
<b>D. Asset-to-equity ratio</b>					
	Total assets	93,272,292,451	1.12	1.13	1.16
	Divided by: Total equity	83,409,836,809			
	Asset-to-equity ratio	1.12			
<b>E. Interest rate coverage ratio</b>					
	EBITDA**	5,035,716,863	21.25	15.71	14.02
	Divided by: Interest expense	236,970,210			
	Interest rate coverage ratio	21.25			
<b>F. Profitability ratios</b>					
1. Return on assets (%)	Net income	5,030,544,039	6%	5%	6%
	Divided by: Average total assets	80,479,140,609			
	Return on assets (%)	6%			
2. Return on equity (%)	Net income	5,030,544,039	7%	5%	5%
	Divided by: Average total equity	71,741,363,319			
	Return on equity (%)	7%			
3. Net profit margin	Net income	5,030,544,039	0.70	0.57	0.73
	Divided by: Total revenues	7,140,336,206			
	Net profit margin	0.70			

\* Total debts includes short-term debt, long-term debt, and current portion of the long-term debt

\*\* EBITDA refers to earnings before interest expense and other charges, taxes, and depreciation, and excludes net fair value change in investment properties, interest income, non-recurring gain under finance lease and other income

**MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**AYALA NORTH EXCHANGE - SEDA**

Located at  
**No. 6796 Ayala Avenue corner Salcedo Street  
Legaspi Village, Makati City, Metro Manila**

30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 30 January 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 38 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



### LIBERTY SANTIAGO-AÑO, IPA, MRICS

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-004A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for REIT Law / Annual reports for REIT properties use as of **31 December 2023**.

The appraised property is the **AYALA NORTH EXCHANGE - SEDA (building and its facilities)**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.



Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **ONE BILLION FOUR HUNDRED FORTY-EIGHT MILLION NINE HUNDRED TWO THOUSAND (Php1,448,902,000) PESOS.**

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:moa

**CAI File No. 11-2023-1072-004A**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 11-2023-1072-004A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located on the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided by the clients and as shown to us by the client's representative, the appraised property is the **AYALA NORTH EXCHANGE – SEDA**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The site of Ayala North Exchange is bounded by Amorsolo Street on the northwest, Ayala Avenue on the northeast and Salcedo Street on the southeast, it is located approximately 220-meter northwest from V. A. Rufino Street; 390 meters southwest from Ayala Avenue near PBCOM Tower; 680 meters northwest from the corner of Paseo De Roxas and Ayala Avenue near Tower One and Exchange Plaza; 1.08 kilometers northwest from Makati Avenue; and about 1.82 kilometers northwest from Epifanio Delos Santos Avenue near Ayala MRT Station.

Ayala Avenue, Amorsolo and Salcedo Streets are correspondingly 40, 12 and 12 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage, the former has a center island.

### **III. NEIGHBORHOOD DATA**

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- GT Tower
- LKG Tower
- PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from Ayala Avenue by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

V. **AYALA NORTH EXCHANGE**

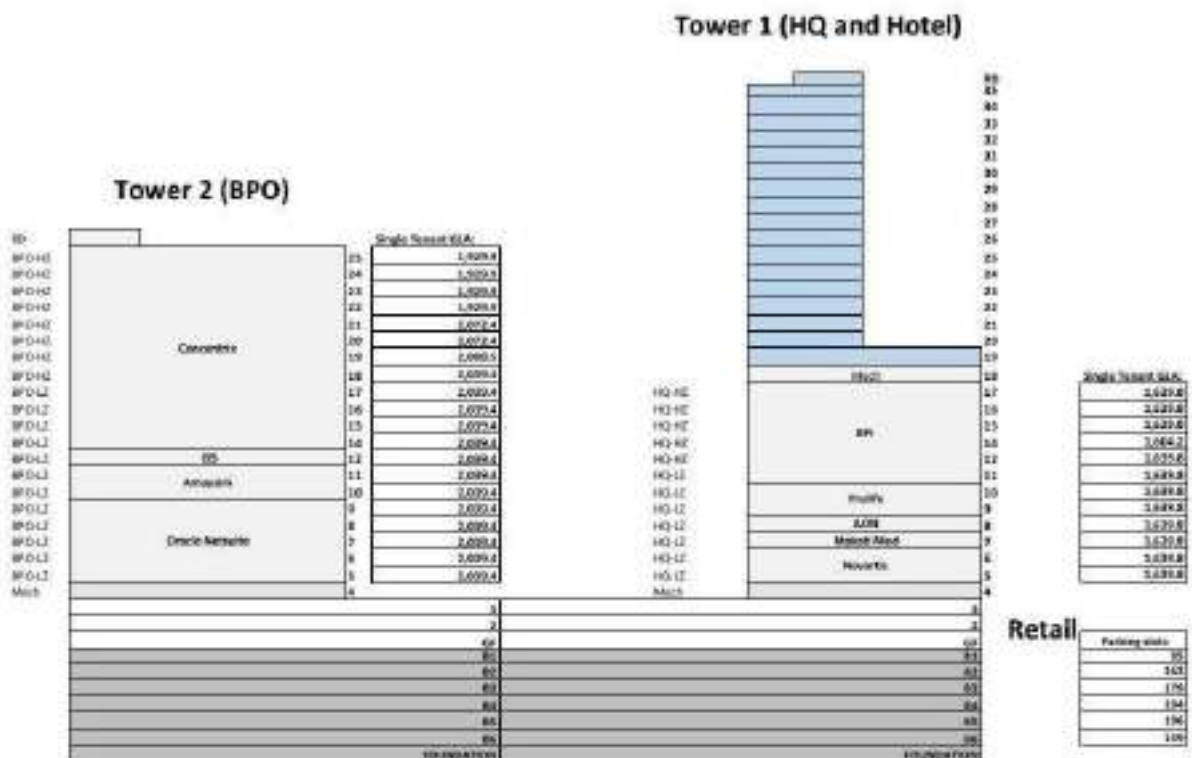
**Ayala North Exchange**

This consists of two towers, designated as Towers 1 and 2 on top of a 3-level podium and 6-level basements. Tower 1 (HQ and Service Apartments) comprises offices from 5<sup>th</sup> to 17<sup>th</sup> floors and serviced apartments together with its other amenities and back of house area from the 18<sup>th</sup> to 35<sup>th</sup> floors. Tower 2 (BPO) comprises of BPO offices on the 5<sup>th</sup> to 25<sup>th</sup> floors, 4<sup>th</sup> and 18<sup>th</sup> floors of Towers 1 and 2 are machine rooms. The podium, ground to third floors are retail areas and the basements are used as parking.

This is reinforced concrete framed building having reinforced concrete slab roof deck; pre-cast concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

This is equipped with 100% back-up generators; a centralized chilled water system; 986 parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Total floor area is 120,090.25-square meter.

Graphical Representation of Ayala North Exchange



## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate of Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php162,624,000 including dues-net, and average lease rates are Php521/sq.m./mo. for office on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 2.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
AYALA NORTH EXCHANGE - SEDA														
<b>STATISTICS</b>														
Gross Leasable Area	Service Apartment	26,034.00	sq.m.	Ave. Lease Rate on Yr. 1 Php521/sq.m/mo. Php6,247/sq.m/yr.										
Vacancy Rate (incl. bad debts)	0% of gross revenues (ave.)													
Terminal Capitalization Rate	9.51157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
<b>GROSS REVENUES</b>		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Service Apartments			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	0% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>162,624,000</b>	<b>162,624,000</b>	<b>162,624,000</b>	<b>162,624,000</b>	<b>162,624,000</b>	<b>162,624,000</b>	<b>162,624,000</b>	<b>162,624,000</b>	<b>162,624,000</b>	<b>162,624,000</b>	<b>1,626,240,000</b>	<b>162,624,000</b>
<b>LESS: OPERATING EXPENSES</b>		Php(000)												
Direct Operating Expenses														
Outside services			-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance			-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous			-	-	-	-	-	-	-	-	-	-	-	-
Land lease			-	-	-	-	-	-	-	-	-	-	-	-
Building lease			-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			5,856,459	5,856,459	5,856,459	5,856,459	5,856,459	6,061,435	6,273,585	6,493,161	6,720,421	6,955,636	61,786,532	
Management fees			14,117,298	14,018,208	13,920,771	13,808,766	13,662,362	14,140,544	14,635,463	15,147,705	15,677,874	16,226,600	145,355,591	
Insurance			-	-	-	-	-	-	-	-	-	-	-	
Others			-	-	-	-	-	-	-	-	-	-	-	
			19,973,757	19,874,667	19,777,230	19,665,225	19,518,820	20,201,979	20,909,048	21,640,865	22,398,295	23,182,236	207,142,124	23,182,236
General Administrative Expenses			-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures			3,252,480	3,252,480	3,252,480	3,252,480	3,252,480	3,252,480	3,252,480	3,252,480	3,252,480	3,252,480	32,524,800	3,252,480
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>23,226,237</b>	<b>23,127,147</b>	<b>23,029,710</b>	<b>22,917,705</b>	<b>22,771,300</b>	<b>23,454,459</b>	<b>24,161,528</b>	<b>24,893,345</b>	<b>25,650,775</b>	<b>26,434,716</b>	<b>239,666,924</b>	<b>26,434,716</b>
<b>NET INCOME</b>			<b>139,397,763</b>	<b>139,496,853</b>	<b>139,594,290</b>	<b>139,706,295</b>	<b>139,852,700</b>	<b>139,169,541</b>	<b>138,462,472</b>	<b>137,730,655</b>	<b>136,973,225</b>	<b>136,189,284</b>	<b>1,386,573,076</b>	<b>136,189,284</b>
<b>ADD: Reversion Value (Resale Value)</b>														1,431,827,598
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														1,431,827,598
Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>127,290,443</b>	<b>116,317,323</b>	<b>106,288,833</b>	<b>97,135,047</b>	<b>88,791,384</b>	<b>80,683,395</b>	<b>73,301,362</b>	<b>66,581,039</b>	<b>60,463,827</b>	<b>54,896,276</b>	<b>871,748,930</b>	
<b>Present Worth of Net Reversion Value</b>														577,152,627
<b>Total Present Value of Net Income</b>														871,748,930
<b>Present Worth of Net Reversion Value</b>														577,152,627
<b>Total</b>														1,448,901,557
<b>Market Value of Property (building and its facilities)</b>														PhP 1,448,901,557
<b>Rounded to</b>														PhP 1,448,902,000



On the basis of the foregoing, the market value of the **Ayala North Exchange - Seda (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,448,902,000**.

**MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**MCKINLEY EXCHANGE CORPORATE CENTER**

Located at the corner of  
**EDSA and McKinley Road**  
**Barangay Dasmariñas, Makati City, Metro Manila**

30 January 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 30 January 2024. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

## Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

30 January 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-005A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us as by the **AREIT, INC.** for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2023**.

The appraised property is **McKinley Exchange Corporate Center (MECC) (building and its facilities)**, located at the corner of Epifanio de los Santos Avenue and McKinley Road, Barangay Dasmariñas, Makati City, Metro Manila.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of building and its facilities only, this report pertaining to the said item therefore, partakes the nature of a fractional appraisal and is rendered as such.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;  
Extent, character and utility of the property;  
Lease/Rent rates for similar property; and  
Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** using is reasonably represented in the amount of **ONE BILLION SEVEN HUNDRED NINETEEN MILLION NINE HUNDRED TWENTY FOUR THOUSAND (Php1,719,924,000) PESOS.**

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:roa

CAI File No. 11-2023-1072-005A

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2024-1072-005A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located in Barangay Dasmariñas, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

The appraised property is the **McKinley Exchange Corporate Center**, located **at the southeast corner of Epifanio de los Santos Avenue (EDSA) and McKinley Road, Barangay Dasmariñas, Makati City, Metro Manila**.

This is an office built to fit the unique requirements of IT and Business Process Outsourcing firms with an approximate Gross Leasable Area of 10,687.50 square meters. Companies can take advantage of this site's proximity to the Central Business District of Makati with direct access to major public transportation systems such as the MRT Station, bus and jeepney stops, taxi stands and shuttle terminals. Its choice of location gives your business excellent visibility to over 300,000 vehicles traversing EDSA daily.

Gross Leasable Area	No. of Floor	Typical Floor Plate	Project Details			Certification
			Density	Parking	Elevators	
10,687.50	5	2,500 sq.m.	5 sq.m.	1 slot per 70 sq.m.	3 Passenger 1 Service	PEZA

McKinley Exchange Corporate Center Building is approximately 240 meters southeast from the intersection of East Street and Ayala Avenue; 330 meters northwest from the intersection of McKinley Road and Bayanan Street; and about 360 meters northeast from the intersection of Antonio S. Arnaiz Avenue Extension and Epifanio de los Santos Avenue (EDSA).



EDSA and McKinley Road are 50 and 15 meters wide, respectively, asphalt-paved and provided with concrete curbs and gutters, and underground drainage system. Along the centerline of EDSA is the MRT Line 3.

### **III. NEIGHBORHOOD DATA**

The property is located in an area where land development is of mixed use, specifically residential, institutional and commercial.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 50 meters and lighted with mercury arc lamps.

Some of the important improvements in the vicinity are:

- MRT Ayala Station
- Santuario de San Antonio Parish
- Shell Service Station
- Forbes Park Subdivision
- Dasmariñas Village

The various commercial establishments within nearby Ayala Center such as Glorietta, SM City-Makati and Greenbelt Center serve as the commercial and shopping centers in the area. These are short distance from the property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Makati City as well as to other parts of Metro Manila is available along Epifanio de los Santos Avenue where the property fronts. Street lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metro Manila Development Authority (MMDA).

### **V. MCKINLEY EXCHANGE CORPORATE CENTER**

This is a 5-storey reinforced concrete framed building having reinforced concrete slab roof deck; rib type galvanized iron sheet roof; fiber heat insulation, fiber cement board, and soffit slab ceilings; cement plastered concrete hollow block walls; fixed glass windows; glass on aluminum frame main entrance doors; plain cement and ceramic tile finished floors.

The building features TELUS Philippines Inc. in in the 2<sup>nd</sup> to the 5<sup>th</sup> Floor, commercial tenants in the ground floor, 120 parking slots in the basement upper, basement lower and basement 2 levels, respectively.

The improvements made by the tenants in their respective leased spaces were not included in this description. Reportedly, the building was constructed sometime in November 2014.

Total Floor Area is approximately 17,706.22 square meters, allocated as under:

<b>Floor Level</b>	<b>Area (sq.m.)</b>
Basement	6,228.63
Ground	2,085.35
2 <sup>nd</sup>	2,348.06
3 <sup>rd</sup>	2,348.06
4 <sup>th</sup>	2,348.06
5 <sup>th</sup>	<u>2,348.06</u>
<b>Total –</b>	<b>17,706.22 sq.m.</b>

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php162,973,836 including dues-net, and average lease rates are Php1,034/sq.m./mo. for office, Php523/sq.m./mo. for retail and Php2,843/slot/mo. for parking on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 4% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
MCKINLEY EXCHANGE CORPORATE CENTER (MECC)														
<b>STATISTICS</b>														
Gross Floor Area:	17,706.22	sq.m.	Ave. Lease Rate on Yr. 1											
Gross Leasable Area:	Office - 9,633.32	sq.m.	Php1,034/sq.m./mo.											
	Retails - 1,054.18	sq.m.	Php523/sq.m./mo.											
	Parkings - 120.00	sq.m.	Php2,843/slot/mo.											
Vacancy Rate (incl. bad debts)	5.00%	(ave.)												
Terminal Capitalization Rate	5.51157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		<b>Escalation</b>	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	5%	of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>162,973,836</b>	<b>172,712,580</b>	<b>181,566,298</b>	<b>190,885,001</b>	<b>200,694,181</b>	<b>208,721,949</b>	<b>217,070,826</b>	<b>225,753,660</b>	<b>234,783,806</b>	<b>244,175,158</b>	<b>2,039,337,296</b>	<b>253,942,164</b>
<b>LESS: OPERATING EXPENSES</b>		Php(000)												
Direct Operating Expenses														
Outside services			6,516,194	6,718,196	6,926,460	7,141,181	7,362,557	7,657,059	7,963,342	8,281,875	8,613,150	8,957,676	76,137,692	
Repairs and maintenance			6,939,570	7,154,696	7,376,492	7,605,163	7,840,923	8,154,560	8,480,742	8,819,972	9,172,771	9,539,682	81,084,571	
Miscellaneous			820,806	846,251	872,484	899,531	927,417	964,514	1,003,094	1,043,218	1,084,947	1,128,344	9,590,606	
Land lease			-	-	-	-	-	-	-	-	-	-	-	
Building lease			39,864,881	41,858,125	43,951,031	46,148,583	48,456,012	50,878,812	53,422,753	56,093,890	58,898,585	61,254,528	500,827,199	
Taxes and licenses			2,462,858	2,567,321	2,678,363	2,783,917	2,894,143	3,009,909	3,130,305	3,255,517	3,385,738	3,521,168	29,689,241	
Management fees			11,375,248	11,777,955	12,003,920	12,242,705	12,491,201	12,990,849	13,510,483	14,050,902	14,612,938	15,197,455	130,253,654	
Insurance			-	-	-	-	-	-	-	-	-	-	-	
Others			2,258,100	2,328,101	2,400,273	2,474,681	2,551,396	2,653,452	2,759,590	2,869,974	2,984,773	3,104,163	26,384,503	
			70,237,657	73,250,645	76,209,023	79,295,761	82,523,649	86,309,155	90,270,309	94,415,349	98,752,902	102,703,018	853,967,465	106,811,138
General Administrative Expenses			53,097	54,743	56,440	58,189	59,993	62,393	64,888	67,484	70,183	72,991	620,400	75,910
Capital Expenditures			3,908,423	4,141,098	4,354,908	4,580,085	4,817,263	5,009,954	5,210,352	5,418,766	5,635,516	5,860,937	48,937,302	6,095,375
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>74,199,176</b>	<b>77,446,485</b>	<b>80,620,371</b>	<b>83,934,035</b>	<b>87,400,905</b>	<b>91,381,501</b>	<b>95,545,549</b>	<b>99,901,599</b>	<b>104,458,601</b>	<b>108,636,946</b>	<b>903,525,167</b>	<b>112,982,423</b>
<b>NET INCOME</b>			<b>88,774,660</b>	<b>95,266,095</b>	<b>100,945,928</b>	<b>106,950,966</b>	<b>113,293,277</b>	<b>117,340,448</b>	<b>121,525,277</b>	<b>125,852,061</b>	<b>130,325,204</b>	<b>135,538,213</b>	<b>1,135,812,128</b>	<b>140,959,741</b>
<b>ADD: Reversion Value (Resale Value)</b>														2,557,524,283
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														2,557,524,283
Present Worth Factor @ 9.51157% discount rate			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309	
<b>Present Worth of Net Income</b>			<b>81,064,184</b>	<b>79,436,180</b>	<b>76,861,488</b>	<b>74,360,909</b>	<b>71,929,015</b>	<b>68,028,001</b>	<b>64,334,893</b>	<b>60,838,751</b>	<b>57,529,204</b>	<b>54,633,837</b>	<b>689,016,462</b>	
<b>Present Worth of Net Reversion Value</b>														1,030,907,534
<b>Total Present Value of Net Income</b>														689,016,462
<b>Present Worth of Net Reversion Value</b>														1,030,907,534
<b>Total</b>														1,719,923,997
<b>Market Value of Property (building and its facilities)</b>														PhP 1,719,923,997
<b>Rounded to</b>														PhP 1,719,924,000

On the basis of the foregoing, the market value of McKinley Exchange Corporate Center (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **PhP1,719,924,000**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **TELEPERFORMANCE CEBU**

Located on  
**Inez Villa Street, Cebu IT Park**  
**Barangay Apas, Cebu City**

16 February 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 16 February 2024. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.



### **Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### **Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### **CUERVO APPRAISERS, INC.**

**By:**



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

16 February 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-006A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us as by the **AREIT, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of **31 December 2023**.

The appraised property is the **Teleperformance Cebu (building and its facilities)**, located **along Inez Villa Street, Cebu IT Park, Barangay Apas, Cebu City**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of building and its facilities only, this report pertaining to the said item therefore, partakes the nature of a fractional appraisal and is rendered as such.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **11 December 2023** using is reasonably represented in the amount of **ONE BILLION EIGHT HUNDRED TWENTY-SEVEN MILLION THREE HUNDRED FORTY THREE THOUSAND (Php1,827,343,000) PESOS.**


We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:asu

CAI File No. 11-2023-1072-006A

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2024-1072-006A**

## VALUATION REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located along Inez Villa Street, within Cebu IT Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023.**

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the clients and as shown by the client's representative, the appraised property is the **TELEPERFORMANCE CEBU (formerly known as Aegis Towers 1 and 2)**, located **along Inez Villa Street with Cebu IT Park, Barangay Apas, Cebu City.**

The site of Teleperformance is bounded by Inez Villa Street on the southwest, San Miguel Street on the northwest and India Street on the northeast. It is located approximately 530-meter northeast from Salinas Drive; 320-meter northwest from Gov. M. Cuenco Avenue; 1.20-kilometer northwest from Ayala Center Cebu; 5.0-kilometer northeast from Cebu City Hall; and about 14.0-kilometer northwest from Mactan – Cebu International Airport.

Inez Villa, San Miguel and India Streets are correspondingly 25, 15 and 15 meters wide. These are concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, and underground drainage.

### III. NEIGHBORHOOD DATA

The Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with mercury arc lamps.

Some of the important improvements in Cebu IT Park are:

- Avida Towers - Cebu
- Skyrise 1 to 3
- eBlock Towers 1 to 3
- Park Centrale
- Filinvest Cebu Cyberzone
- Calyx Centre
- TGU Tower

Ayala Center – Cebu and SM City – Cebu serve as the commercial and shopping centers in the area. These are accessible from the property by taxicab and motorcycle, locally known as habal-habal. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Cebu City as well as to other parts of Metro Cebu is available along Salinas Drive which is about 530-meter from the property. Street lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. TELEPERFORMANCE CEBU**

This consists of two(2) towers, Tower 1 is 12-storey, while Tower 2 is 12-storey with penthouse. Ground to 4<sup>th</sup> floors are common to both towers. This is reinforced concrete framed building of roof deck having reinforced concrete slab roof deck; reinforced concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

The building is painted and provided with electrical lighting and plumbing facilities. Total floor area excluding parking areas is 18,108.16-square meter, allocated on the next page.

FLOOR	TOWER I	TOWER II	GADC	TOTAL
Ground	686.90	-	265.64	<b>952.54</b>
2nd	-	352.28	-	<b>352.28</b>
3rd	-	-	-	<b>0.00</b>
4th	-	-	-	<b>0.00</b>
5th	1,345.70	707.60	-	<b>2,053.30</b>
6th	1,345.70	707.60	-	<b>2,053.30</b>
7th	1,345.70	707.60	-	<b>2,053.30</b>
8th	1,345.70	707.60	-	<b>2,053.30</b>
9th	1,276.31	681.73	-	<b>1,958.04</b>
10th	1,316.30	738.46	-	<b>2,054.76</b>
11th	1,316.30	738.46	-	<b>2,054.76</b>
12th	1,279.72	680.76	-	<b>1,960.48</b>
Penthouse	-	401.90	-	<b>401.90</b>
Mezzanine	-	-	144.70	<b>144.70</b>
Al Fresco	-	-	15.50	<b>15.50</b>
<b>TOTAL</b>	<b>11,258.33</b>	<b>6,423.99</b>	<b>425.84</b>	<b>18,108.16</b>
<b>Parking Slots -</b>	<b>135</b>	<b>102</b>		<b>237</b>

Reportedly, this building was built year 2010.

Estimated remaining economic life of this building is 37 years.

## VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## VIII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable

rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodelling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php212,447,687 including dues-net, and average lease rates for office is Php702/sq.m./mo. considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 2.50% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and



others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;

5. The average capital expenditures in 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital(WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.



On the basis of the foregoing, the market value of Solaris One (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **PhP1,827,343,000**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **THE 30<sup>th</sup> CORPORATE CENTER**

Located on  
**Meralco Avenue**  
**Barangay Ugong, Pasig City**  
**Metro Manila**

05 February 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### **Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### **Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### **CUERVO APPRAISERS, INC.**

**By:**



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-007A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the market value of the property intended for corporate use as of **31 December 2023**.

The appraised property is **THE 30<sup>th</sup> CORPORATE CENTER (building and its facilities)**, located at **No. 30, Meralco Avenue, within Barangay Ugong, Pasig City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** using is reasonably represented in the amount of **FOUR BILLION SIX HUNDRED FIFTY-NINE MILLION TWO HUNDRED NINETY THOUSAND (Php4,659,290,000) PESOS.**

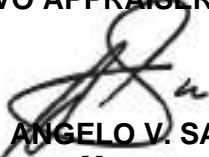
We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:moa

**CAI File No. 11-2023-1072-007A**



**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-007A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located within Barangay Ugong, Pasig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is identified as **The 30<sup>th</sup> Corporate Center**, located at **No. 30, Meralco Avenue, Pasig City, Metro Manila**.

The property is located approximately 40 meters north from St. Paul Street; 350 meters south from Doña Julia Vargas Avenue; 700 meters northeast from Shaw Boulevard; and about 820 meters south from Ortigas Avenue.

Meralco Avenue is 25 meters wide, concrete-paved and provided with concrete curbs and gutters, center island, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The property is located in an area where land development is of mixed use, specifically residential, institutional and commercial.

Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 12 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

Department of Education (DEPED)  
The Alexandra  
St. Paul College - Pasig  
CW Home Depot  
Renaissance 3000  
Valle Verde

The property itself serves the shopping and commercial center in the area. This is accessible from Meralco Avenue by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Pasig City as well as to the other parts of Metro Manila is available along Meralco Avenue where the subject building fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. THE 30<sup>th</sup> CORPORATE CENTER**

This is a four (4) level reinforced concrete-framed building with three (3) basement parking, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing with water proofing membrane; fibered cement board, steel panel, aluminum panel and acoustic board on aluminum T-runner ceilings; cement plastered concrete hollow block partly with granite tile finish partly gypsum board with aluminum composite panel cladding interior walls; cement plastered concrete hollow block and aluminum composite panel exterior walls; cement plastered concrete hollow block and glass panel partitions; glass on aluminum powder coated windows; steel plate, wood panel, plywood flush, metal flush, frameless glass and glass on aluminum powder coated doors; granite, glazed, vinyl and ceramic tiles, and plain cement on epoxy paint finished concrete floors.

The building is painted and provided with electrical, plumbing and telecommunication facilities and equipped with one (1) passenger and two (2) elevators and firefighting equipment. Total floor area is approximately 69,273 square meters, allocated on the next page:

Floor Level	Area (sq.m.)
Basement 3	12,086
Basement 2	11,178
Basement 1	13,011
Lower Ground	10,434
Upper Ground	12,352
Second	6,596
Third	<u>3,616</u>
	<b>Total - 69,273 sq.m.</b>

Estimated remaining economic life is 34 years.

This mall stands on 20,000 square meters land.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and

therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php491,430,370 including dues-net, and average lease rates are Php657/sq.m./mo. for office on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 3% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3% per year of effective gross revenue;

6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

**Discounted Cash Flow Analysis (in PhP)  
THE 30TH CORPORATE CENTER**

STATISTICS														
	Gross Leasable Area:													
	Office Space -	47,480.00	sq.m.											
	Vacancy Rate (incl. bad debts)	9.00%	(ave.)											
	Terminal Capitalization Rate	6.51157%												
	Discount Rate	9.51157%												
	Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
			Escalation	-	-	-	-	-	-	-	-	-	-	-
	Office Spaces			-	-	-	-	-	-	-	-	-	-	-
	Retails			-	-	-	-	-	-	-	-	-	-	-
	Parking Slots			-	-	-	-	-	-	-	-	-	-	-
	<b>PLUS:</b>													
	Dues - Net			-	-	-	-	-	-	-	-	-	-	-
	<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-
	<b>LESS:</b>													
	Vacancy Rate (incl. bad debts)	9%	of gross revenues	-	-	-	-	-	-	-	-	-	-	-
	<b>Effective Gross Revenues (EGR)</b>			<b>491,430,370</b>	<b>553,125,865</b>	<b>596,482,064</b>	<b>566,439,757</b>	<b>522,460,333</b>	<b>538,134,143</b>	<b>554,278,167</b>	<b>570,906,512</b>	<b>588,033,707</b>	<b>605,674,718</b>	<b>5,586,965,635</b>
	<b>LESS: OPERATING EXPENSES</b>													
			Php(000)											
	Direct Operating Expenses													
	Outside services			20,203,523	20,829,833	21,475,557	22,141,300	22,827,680	23,512,510	24,217,886	24,944,422	25,692,755	26,463,538	232,309,004
	Repairs and maintenance			31,965,841	32,956,782	33,978,442	35,031,774	36,117,759	37,201,292	38,317,331	39,466,851	40,650,856	41,870,382	367,557,311
	Miscellaneous			1,500,943	1,547,472	1,595,443	1,644,902	1,695,894	1,746,771	1,799,174	1,853,149	1,908,744	1,966,006	17,258,498
	Land lease			22,596,315	25,544,224	27,555,305	25,676,748	23,484,308	24,188,837	24,914,502	25,661,937	26,431,795	27,224,749	253,278,722
	Building lease			-	-	-	-	-	-	-	-	-	-	-
	Taxes and licenses			37,894,610	38,404,582	39,595,124	40,822,573	42,088,073	43,350,715	44,651,237	45,990,774	47,370,497	48,791,612	428,959,796
	Management fees			44,747,942	49,560,917	53,193,922	50,999,241	48,931,334	50,399,274	51,911,252	53,468,590	55,072,648	56,724,827	515,009,947
	Insurance			2,582,041	2,662,084	2,744,609	2,829,692	2,917,412	3,004,935	3,095,083	3,187,935	3,283,573	3,382,080	29,689,445
	Others			2,189,582	2,257,459	2,327,440	2,399,591	2,473,978	2,548,198	2,624,644	2,703,383	2,784,484	2,868,019	25,176,777
				163,680,798	173,763,353	182,465,844	181,545,821	180,536,439	185,952,532	191,531,108	197,277,041	203,195,352	209,291,213	1,869,239,500
	General Administrative Expenses			1,196,512	1,233,604	1,271,845	1,311,272	1,351,922	1,392,480	1,434,254	1,477,282	1,521,600	1,567,248	13,758,018
	Capital Expenditures			11,622,158	13,204,112	14,209,652	13,270,374	12,174,154	12,539,379	12,915,560	13,303,027	13,702,118	14,113,181	131,053,714
	Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0
	<b>Total</b>			<b>176,499,468</b>	<b>188,201,068</b>	<b>197,947,341</b>	<b>196,127,468</b>	<b>194,062,515</b>	<b>199,884,390</b>	<b>205,880,922</b>	<b>212,057,349</b>	<b>218,419,070</b>	<b>224,971,642</b>	<b>2,014,051,232</b>
	<b>NET INCOME</b>			<b>314,930,902</b>	<b>364,924,797</b>	<b>398,534,722</b>	<b>370,312,290</b>	<b>328,397,818</b>	<b>338,249,752</b>	<b>348,397,245</b>	<b>358,849,162</b>	<b>369,614,637</b>	<b>380,703,076</b>	<b>3,572,914,403</b>
	<b>ADD: Reversion Value (Resale Value)</b>													6,021,960,429
	<b>LESS: Marketing Cost</b>	0.00%	of Resale Value											0
	<b>Net Reversion Value</b>													<b>6,021,960,429</b>
	Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309
	<b>Present Worth of Net Income</b>			<b>287,577,744</b>	<b>304,286,976</b>	<b>303,449,307</b>	<b>257,470,872</b>	<b>208,497,205</b>	<b>196,099,938</b>	<b>184,439,814</b>	<b>173,473,002</b>	<b>163,158,279</b>	<b>153,456,869</b>	<b>2,231,910,006</b>
	<b>Present Worth of Net Reversion Value</b>													<b>2,427,380,424</b>
	<b>Total Present Value of Net Income</b>													<b>2,231,910,006</b>
	<b>Present Worth of Net Reversion Value</b>													<b>2,427,380,424</b>
	<b>Total</b>													<b>4,659,290,430</b>
	<b>Market Value of Property (building and its facilities)</b>													<b>PhP 4,659,290,430</b>
	<b>Rounded to</b>													<b>PhP 4,659,290,000</b>



On the basis of the foregoing, the market value of THE 30<sup>th</sup> CORPORATE CENTER (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php4,659,290,000**.



## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **Vertis North Towers 1, 2 and 3**

Located in  
**Barangay Pag-Asa**  
**Quezon City, Metro Manila**

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-008A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2023**.

The appraised property consists of **buildings only (Vertis North Towers 1, 2 and 3)**, located **within Barangay Pag-asa, Quezon City, Metro Manila**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2023** is reasonably represented in the amount as under:

<b>Vertis North Tower 1</b>	<b>5,477,500,000</b>
<b>Vertis North Tower 2</b>	<b>4,819,216,000</b>
<b>Vertis North Tower 3</b>	<b>6,056,067,000</b>

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoar

CMT:asu

**CAI File No. 11-2023-1072-008A**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 11-2023-1072-008A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of certain real property located within Barangay Pag-asa, Quezon City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is **identified as Vertis North Towers 1, 2 and 3**, located **along Luxe Drive, within Vertis North Complex, Barangay Pag-asa, Quezon City, Metro Manila**.

The property is located approximately 130 meters southwest from North Avenue; 150 meters northeast from Epifanio de los Santos Avenue (MRT 3 – North Avenue Station); and about 1.10 kilometers west from Quezon City Memorial Circle.

Luxe Drive is 15 meters wide, concreted and provided with concrete curbs and gutters, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The property is located in an area where land development is of mixed use, specifically commercial, residential and office condominiums.

Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 12 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

Trinoma  
SM City North Edsa  
Seda Hotel  
Landmark  
Vinia Residences  
Eurotel – North Edsa

The Ayala Malls Vertis North serves as the shopping and commercial center in the area. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are accessible from Epifanio delos Santos Avenue by public transportation.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Quezon City, is available along Epifanio de los Santos Avenue (EDSA) which is about 150 meters from the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. DESCRIPTION OF THE SUBJECT BUILDINGS**

##### **Vertis North Towers 1, 2 and 3**

These are three (3) high rise office buildings stacked on top of a retail mall, identified as Towers 1, 2, and 3.

Vertis North Towers 1, 2 and 3 offers grade A office spaces. The building is painted and provided with electrical, plumbing and telecommunication facilities, twelve (12) elevators, and firefighting equipment. Total floor area is approximately 157,455 square meters, allocated as follows:

<b>Tower Name</b>	<b>No. of Storeys</b>	<b>Gross Leasable Area</b>
Tower 1	19	43,156.16
Tower 2	20	42,351.85
Tower 3	20	39,636.46

#### **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.



**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### ***Income Approach***

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

### ***Vertis North Tower 1***

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php594,692,868 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 3.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth)

**Discounted Cash Flow Analysis (in PhP)  
VERTIS NORTH TOWER 1**

STATISTICS															
Estimated Leasable Area		43,156.16	sq. m.												
Vacancy Rate (incl. bad debts)		-													
Terminal Capitalization Rate		6.51157%													
Discount Rate		9.51157%													
Present Worth Factor				0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>			Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces				-	-	-	-	-	-	-	-	-	-	-	-
Retails				-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots				-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>															
Dues - Net				-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>															
Vacancy Rate (incl. bad debts)	% of gross revenues			-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		528,986,259		<b>594,692,868</b>	<b>622,103,599</b>	<b>641,990,836</b>	<b>384,029,770</b>	<b>560,742,022</b>	<b>577,564,282</b>	<b>594,891,211</b>	<b>612,737,947</b>	<b>631,120,086</b>	<b>650,053,688</b>	<b>5,869,926,309</b>	<b>669,555,299</b>
<b>LESS: OPERATING EXPENSES</b>															
Direct Operating Expenses															
Outside services				13,453,397	13,870,452	14,300,436	14,743,750	15,200,806	15,656,830	16,126,535	16,610,331	17,108,641	17,621,900	154,693,079	
Repairs and maintenance				23,946,118	24,688,447	25,453,789	26,242,857	27,056,385	27,868,077	28,704,119	29,565,243	30,452,200	31,365,766	275,343,001	
Miscellaneous				1,473,453	1,519,131	1,566,224	1,614,777	1,664,835	1,714,780	1,766,223	1,819,210	1,873,786	1,930,000	16,942,417	
Land lease				28,984,458	30,035,204	30,660,969	18,314,748	28,768,008	29,631,048	30,519,980	31,435,579	32,378,647	33,350,006	294,078,648	
Building lease				-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses				31,626,744	34,175,213	35,074,592	35,763,187	28,536,851	29,392,956	30,274,745	31,182,988	32,118,477	33,082,031	321,227,784	
Management fees				47,442,544	48,459,258	49,143,850	29,997,248	45,161,698	46,516,549	47,912,045	49,349,407	50,829,889	52,354,785	467,167,272	
Insurance				2,580,789	2,660,794	2,743,279	2,828,320	2,915,998	3,003,478	3,093,582	3,186,390	3,281,982	3,380,441	29,675,053	
Others				3,615,273	3,727,346	3,842,894	3,962,024	4,084,846	4,207,392	4,333,613	4,463,622	4,597,530	4,735,456	41,569,996	
				153,122,776	159,135,846	162,786,033	133,466,909	153,389,427	157,991,110	162,730,843	167,612,769	172,641,152	177,820,386	1,600,697,250	183,154,998
General Administrative Expenses				195,475	201,535	207,783	214,224	220,865	227,491	234,316	241,345	248,585	256,043	2,247,662	263,724
Capital Expenditures				14,492,229	15,017,602	15,330,485	9,157,374	14,384,004	14,815,524	15,259,990	15,717,790	16,189,323	16,675,003	147,039,324	17,175,253
Marketing Expenses	0.00% of gross revenues			0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>				<b>167,810,480</b>	<b>174,354,983</b>	<b>178,324,300</b>	<b>142,838,507</b>	<b>167,994,296</b>	<b>173,034,125</b>	<b>178,225,149</b>	<b>183,571,903</b>	<b>189,079,060</b>	<b>194,751,432</b>	<b>1,749,984,236</b>	<b>200,593,975</b>
<b>NET INCOME</b>				<b>426,882,388</b>	<b>447,748,616</b>	<b>463,666,536</b>	<b>241,191,263</b>	<b>392,747,726</b>	<b>404,530,158</b>	<b>416,666,062</b>	<b>429,166,044</b>	<b>442,041,025</b>	<b>455,302,256</b>	<b>4,119,942,074</b>	<b>468,961,324</b>
<b>ADD: Reversion Value (Resale Value)</b>															7,201,970,091
<b>LESS: Marketing Cost</b>	0.00% of Resale Value														0
<b>Net Reversion Value</b>															7,201,970,091
Present Worth Factor @	9.51157% discount rate			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>				<b>389,805,742</b>	<b>373,348,355</b>	<b>353,041,482</b>	<b>167,695,555</b>	<b>249,352,457</b>	<b>234,525,933</b>	<b>220,580,995</b>	<b>207,465,225</b>	<b>195,129,320</b>	<b>183,526,909</b>	<b>2,574,471,972</b>	
<b>Present Worth of Net Reversion Value</b>															2,903,028,245
<b>Total Present Value of Net Income</b>															2,574,471,972
<b>Present Worth of Net Reversion Value</b>															2,903,028,245
<b>Total</b>															5,477,500,217
<b>Market Value of Property (building and its facilities)</b>															PhP 5,477,500,217
<b>Rounded to</b>															PhP 5,477,500,000



**Vertis North Tower 2**

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php328,668,638 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 3.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth)

Discounted Cash Flow Analysis (in PhP)													
VERTIS NORTH TOWER 2													
<b>STATISTICS</b>													
Estimated Leasable Area	42,351.85	sq.m.											
Vacancy Rate (incl. bad debts)	-	(ave.)											
Terminal Capitalization Rate	6.51157%												
Discount Rate	9.51157%												
Present Worth Factor	0.91315		0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>													
Dues - Net			-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>													
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		401,259,368	<b>328,668,638</b>	<b>446,458,413</b>	<b>471,378,362</b>	<b>494,395,256</b>	<b>518,562,324</b>	<b>534,119,193</b>	<b>550,142,769</b>	<b>566,647,052</b>	<b>583,646,464</b>	<b>601,155,858</b>	<b>5,095,174,328</b>
<b>LESS: OPERATING EXPENSES</b>													
Direct Operating Expenses													
Outside services			13,111,218	13,517,666	13,936,714	14,368,752	14,814,183	15,258,608	15,716,367	16,187,858	16,673,493	17,173,698	150,758,557
Repairs and maintenance			20,934,150	21,583,108	22,252,185	22,942,002	23,653,204	24,362,801	25,093,685	25,846,495	26,621,890	27,420,547	240,710,066
Miscellaneous			1,370,003	1,412,473	1,456,260	1,501,404	1,547,947	1,594,386	1,642,217	1,691,484	1,742,228	1,794,495	15,752,897
Land lease			14,917,449	20,594,570	21,624,299	22,705,514	23,840,789	24,556,013	25,292,693	26,051,474	26,833,018	27,638,009	234,053,828
Building lease			-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			28,171,876	26,974,210	30,453,140	31,239,828	32,063,397	33,025,299	34,016,057	35,036,539	36,087,635	37,170,264	324,238,245
Management fees			26,672,791	35,341,435	36,739,704	38,366,989	40,077,190	41,279,506	42,517,891	43,793,428	45,107,231	46,460,447	396,356,612
Insurance			2,580,789	2,660,794	2,743,278	2,828,320	2,915,998	3,003,478	3,093,582	3,186,390	3,281,981	3,380,441	29,675,051
Others			3,509,087	3,617,869	3,730,023	3,845,654	3,964,869	4,083,815	4,206,329	4,332,519	4,462,495	4,596,370	40,349,029
			111,267,363	125,702,125	132,935,602	137,798,463	142,877,577	147,163,904	151,578,821	156,126,186	160,809,972	165,634,271	1,431,894,284
General Administrative Expenses			102,319	105,491	108,762	112,133	115,609	119,078	122,650	126,329	130,119	134,023	1,176,514
Capital Expenditures			7,458,724	10,477,285	11,082,150	11,622,757	12,190,394	12,556,106	12,932,790	13,320,773	13,720,396	14,132,008	119,493,384
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>118,828,407</b>	<b>136,284,901</b>	<b>144,126,514</b>	<b>149,533,353</b>	<b>155,183,581</b>	<b>159,839,088</b>	<b>164,634,261</b>	<b>169,573,289</b>	<b>174,660,487</b>	<b>179,900,302</b>	<b>1,552,564,183</b>
<b>NET INCOME</b>			<b>209,840,231</b>	<b>310,173,512</b>	<b>327,251,848</b>	<b>344,861,903</b>	<b>363,378,743</b>	<b>374,280,105</b>	<b>385,508,508</b>	<b>397,073,764</b>	<b>408,985,976</b>	<b>421,255,556</b>	<b>3,542,610,145</b>
<b>ADD: Reversion Value (Resale Value)</b>													6,663,419,459
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												0
<b>Net Reversion Value</b>													6,663,419,459
Present Worth Factor @ 9.51157% discount rate			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309
<b>Present Worth of Net Income</b>			<b>191,614,667</b>	<b>258,633,452</b>	<b>249,173,638</b>	<b>239,775,717</b>	<b>230,706,320</b>	<b>216,988,497</b>	<b>204,086,337</b>	<b>191,951,341</b>	<b>180,537,893</b>	<b>169,803,090</b>	<b>2,133,270,953</b>
<b>Present Worth of Net Reversion Value</b>													2,685,944,908
<b>Total Present Value of Net Income</b>													2,133,270,953
<b>Present Worth of Net Reversion Value</b>													2,685,944,908
<b>Total</b>													4,819,215,861
<b>Market Value of Property (building and its facilities)</b>													PhP 4,819,215,861
<b>Rounded to</b>													PhP 4,819,216,000

**Vertis North Tower 3**

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php534,254,423 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 3.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth)

Discounted Cash Flow Analysis (in PhP)														
VERTIS 3														
STATISTICS														
Estimated Leasable Area	39,636.46	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	6.51157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		534,558,730	543,254,423	560,246,242	573,534,328	591,874,751	609,962,923	628,261,811	647,109,666	666,522,955	686,518,644	707,114,203	6,214,399,948	728,327,630
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			14,568,389	15,020,009	15,485,629	15,965,684	16,460,620	16,954,439	17,463,072	17,986,964	18,526,573	19,082,370	167,513,750	
Repairs and maintenance			18,241,008	18,806,479	19,389,480	19,990,553	20,610,261	21,228,568	21,865,426	22,521,388	23,197,030	23,892,941	209,743,133	
Miscellaneous			1,474,259	1,519,961	1,567,080	1,615,659	1,665,745	1,715,717	1,767,188	1,820,204	1,874,810	1,931,055	16,951,678	
Land lease			26,001,662	26,553,922	26,887,925	27,488,181	27,996,975	28,836,884	29,701,991	30,593,050	31,510,842	32,456,167	288,027,600	
Building lease			-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses			29,213,058	30,086,504	30,582,217	30,994,910	31,528,256	32,474,104	33,448,327	34,451,777	35,485,330	36,549,890	324,814,375	
Management fees			43,745,494	44,313,965	44,691,013	45,382,196	46,035,217	47,416,274	48,838,762	50,303,925	51,813,042	53,367,434	475,907,321	
Insurance			2,580,789	2,660,794	2,743,279	2,828,320	2,915,998	3,003,478	3,093,582	3,186,390	3,281,982	3,380,441	29,675,053	
Others			3,509,087	3,617,869	3,730,023	3,845,654	3,964,869	4,083,815	4,206,329	4,332,519	4,462,495	4,596,370	40,349,031	
			139,333,747	142,579,503	145,076,646	148,111,158	151,177,941	155,713,279	160,384,677	165,196,218	170,152,104	175,256,667	1,552,981,941	180,514,367
General Administrative Expenses			151,446	156,141	160,981	165,972	171,117	176,250	181,538	186,984	192,594	198,371	1,741,394	204,323
Capital Expenditures			13,000,831	13,276,961	13,443,963	13,744,091	13,998,487	14,418,442	14,850,995	15,296,525	15,755,421	16,228,084	144,013,800	16,714,926
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			152,486,024	156,012,605	158,681,591	162,021,221	165,347,545	170,307,971	175,417,211	180,679,727	186,100,119	191,683,122	1,698,737,135	197,433,616
<b>NET INCOME</b>			390,768,399	404,233,638	414,852,738	429,853,530	444,615,378	457,953,840	471,692,455	485,843,229	500,418,525	515,431,081	4,515,662,813	530,894,014
<b>ADD: Reversion Value (Resale Value)</b>														8,153,087,713
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														8,153,087,713
Present Worth Factor @ 9.51157% discount rate			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			356,828,415	337,064,054	315,874,047	298,868,729	282,282,824	265,498,256	249,711,701	234,863,816	220,898,787	207,764,121	2,769,654,750	
<b>Present Worth of Net Reversion Value</b>														3,286,412,414
<b>Total Present Value of Net Income</b>														2,769,654,750
<b>Present Worth of Net Reversion Value</b>														3,286,412,414
<b>Total</b>														6,056,067,164
<b>Market Value of Property (building and its facilities)</b>														6,056,067,164
<b>Rounded to</b>														6,056,067,000

On the basis of the foregoing, the market value of the property (buildings and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount as follows:

	<b>Market Value (Php)</b>
<i>Vertis North Tower 1</i>	<b><u>Php5,477,500,000</u></b>
<i>Vertis North Tower 2</i>	<b><u>Php4,819,216,000</u></b>
<i>Vertis North Tower 3</i>	<b><u>Php6,056,067,000</u></b>



**MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**ONE AND TWO EVOTECH BUILDINGS**

Located in  
**Barangay Sto. Domingo**  
**Sta. Rosa City, Laguna**

05 February 2024

**AREIT, INC.**

28F Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

05 February 2024

**AREIT, INC.**

28F Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-009A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2023**.

The appraised property consists of **buildings and its facilities, One and Two Evotech Buildings, bounded by the Taal Street and Evozone Avenue, within Barangay Sto. Domingo, Sta. Rosa City, Laguna.**

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2023** is reasonably represented in the amount of **TWO BILLION EIGHT HUNDRED THIRTY-THREE MILLION SIXTY-FIVE THOUSAND (Php2,833,065,000) PESOS.**

We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,  
**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**  
**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

CMT:roa

**CAI File No. 11-2023-1072-009A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-009A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located within Barangay Sto. Domingo, Sta. Rosa City, Laguna. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property are the **One and Two Evotech Buildings**, bounded by **the Taal Street and Evozone Avenue**, located **within Barangay Sto. Domingo, Sta. Rosa City, Laguna**.

The property is located across Seda Nuvali Hotel and Solenad by Ayala Malls; approximately 400 meters southeast from Vista Mall – Sta. Rosa; 500 meters from The Sonoma; 960 meters southeast from the Paseo Outlets; and 1.80 kilometers northwest from the Sta. Elena Golf and Country Club.

Taal Street and Evozone Avenue are both 15 meters wide, respectively. Both are concrete paved and provided with concrete curbs and gutters, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The property is located in an area where land development is of mixed residential and commercial use.

Generally, the streets in the neighborhood are designed to accommodate light to medium vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 10 to 30 meters and lighted with street lamps.

Some of the improvements in the vicinity are --

Santarosa Estates  
Laguna Technopark  
Laguna Bel Air  
The Sonoma  
Valenza Crown Asia

Vista Mall - Sta. Rosa, Paseo Outlets, Nuvali, Ayala Mall Solenad and Landmark Sta. Rosa serve as the shopping and commercial centers in the area. These malls are accessible from Santa Rosa – Tagaytay Road by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject buildings.

Public transportation connecting to various sections of Sta. Rosa City and its nearby towns is available along Santa Rosa - Tagaytay Road, approximately 250 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE SUBJECT BUILDINGS**

##### **One Evotech Building**

This is a four (4)-level reinforced concrete-framed building with roof deck, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing; gypsum board, fibered cement board, acoustic board on T-runner ceilings; cement plastered concrete hollow block walls; fibered cement board partitions; steel louver, frameless glass panel, steel grilles and glass on aluminum powder coated windows; ceramic tiles, glazed vinyl tiles, partly carpeted floor floors; and wood panel plywood flush, steel metal, frameless glass doors.

The building is painted and provided with electrical, plumbing and telecommunication facilities, two (2) passenger elevators and equipped with firefighting equipment. Total floor area is approximately 15,560 square meters, allocated as under:

<b>Floor Levels</b>	<b>Area (sq.m.)</b>
Ground	3,980
Second	3,980
Third	3,980
Fourth	<u>3,980</u>
	<b>Total - 15,560 sq.m.</b>



### Two Evotech Building

This is a five (5)-storey reinforced concrete-framed building with roof deck, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing; gypsum board, fibered cement board, acoustic board on T-runner ceilings; cement plastered concrete hollow block walls; fibered cement board partitions; steel louver, frameless glass panel, steel grilles and glass on aluminum powder coated windows; ceramic tiles, glazed vinyl tiles, partly carpeted floor floors; and wood panel plywood flush, steel metal, frameless glass doors.

The building is painted and provided with electrical, plumbing and telecommunication facilities, two (2) passenger elevators and equipped with firefighting equipment. Total floor area is approximately 13,580 square meters, allocated as under:

Floor Levels	Area (sq.m.)
Ground	2,716
Second	2,716
Third	2,716
Fourth	2,716
Fifth	<u>2,716</u>
	<b>Total - 13,580 sq.m.</b>

### VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

### VIII. VALUATION

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### ***Income Approach***

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php297,907,590 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 3.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.01157% (discount rate less growth)

Discounted Cash Flow Analysis (in PHP)														
ONE AND TWO EVOTECH														
<b>STATISTICS</b>														
Estimated Leasable Area		23,726.81												
Vacancy Rate (incl. bad debts)		-												
Terminal Capitalization Rate		6.01157%												
Discount Rate		9.51157%												
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
			Escalation	-	-	-	-	-	-	-	-	-	-	-
<b>GROSS REVENUES</b>														
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>291,229,863</b>	<b>297,907,590</b>	<b>299,072,358</b>	<b>296,730,064</b>	<b>271,643,931</b>	<b>263,932,895</b>	<b>273,170,546</b>	<b>282,731,515</b>	<b>292,627,118</b>	<b>302,869,067</b>	<b>313,469,485</b>	<b>2,894,154,568</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			8,946,478	9,223,819	9,509,757	9,804,560	10,108,501	10,462,298	10,828,479	11,207,476	11,599,737	12,005,728	124,000,000	103,696,833
Repairs and maintenance			11,027,804	11,369,666	11,722,126	12,085,512	12,460,162	12,896,268	13,347,637	13,814,805	14,298,323	14,798,764	153,000,000	127,821,067
Miscellaneous			1,896,254	1,955,038	2,015,644	2,078,129	2,142,551	2,217,540	2,295,154	2,375,485	2,458,627	2,544,678	26,000,000	21,979,100
Land lease			11,469,017	11,443,497	11,291,955	10,470,690	10,128,688	10,483,192	10,850,104	11,229,858	11,622,903	12,029,704	121,000,000	111,019,609
Building lease			-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			14,881,145	15,072,911	15,134,069	15,145,747	14,829,055	15,348,072	15,885,254	16,441,238	17,016,681	17,612,265	176,000,000	157,366,438
Management fees			21,726,602	21,822,327	21,539,234	19,950,366	19,392,134	20,070,859	20,773,339	21,500,406	22,252,920	23,031,772	230,000,000	212,059,957
Insurance			1,493,524	1,539,823	1,587,557	1,636,772	1,687,512	1,746,575	1,807,705	1,870,974	1,936,458	2,004,234	20,000,000	17,311,134
Others			824,824	850,394	876,756	903,935	931,957	964,576	998,336	1,033,278	1,069,442	1,106,873	11,000,000	9,560,370
			72,265,648	73,277,474	73,677,099	72,075,711	71,680,560	74,189,380	76,786,008	79,473,518	82,255,091	85,134,020	850,000,000	760,814,508
General Administrative Expenses			1,027,295	1,059,141	1,091,975	1,125,826	1,160,727	1,201,352	1,243,399	1,286,918	1,331,960	1,378,579	13,000,000	11,907,172
Capital Expenditures			5,734,508	5,721,749	5,645,978	5,235,345	5,064,344	5,241,596	5,425,052	5,614,929	5,811,451	6,014,852	60,000,000	55,509,805
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>79,027,451</b>	<b>80,058,364</b>	<b>80,415,051</b>	<b>78,436,882</b>	<b>77,905,631</b>	<b>80,632,328</b>	<b>83,454,459</b>	<b>86,375,365</b>	<b>89,398,503</b>	<b>92,527,451</b>	<b>928,231,485</b>	<b>95,765,912</b>
<b>NET INCOME</b>			<b>218,880,139</b>	<b>219,013,994</b>	<b>216,315,013</b>	<b>193,207,049</b>	<b>186,027,264</b>	<b>192,538,218</b>	<b>199,277,056</b>	<b>206,251,753</b>	<b>213,470,564</b>	<b>220,942,034</b>	<b>2,065,923,083</b>	<b>228,675,005</b>
<b>ADD: Reversion Value (Resale Value)</b>														3,803,914,867
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														<b>3,803,914,867</b>
Present Worth Factor @	9.51157% discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>199,869,419</b>	<b>182,621,479</b>	<b>164,704,948</b>	<b>134,333,072</b>	<b>118,107,254</b>	<b>111,623,829</b>	<b>105,496,308</b>	<b>99,705,153</b>	<b>94,231,901</b>	<b>89,059,099</b>	<b>1,299,752,461</b>	
<b>Present Worth of Net Reversion Value</b>														<b>1,533,312,713</b>
<b>Total Present Value of Net Income</b>				<b>1,299,752,461</b>										
<b>Present Worth of Net Reversion Value</b>				<b>1,533,312,713</b>										
<b>Total</b>				<b>2,833,065,174</b>										
<b>Market Value of Property (building and its facilities)</b>														
<b>Rounded to</b>														<b>2,833,065,000</b>



On the basis of the foregoing, the market value of the property (building only) using the Discounted Cash Flow Analysis, is represented in the amount of **Php2,833,065,000.**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **AYALA NORTH POINT – TECHNOHUB**

Located at  
**Barangay XVIII, Zone 15**  
**Talisay City, Negros Occidental**

05 February 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



05 February 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-010A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us as by the **AREIT, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of **31 December 2023**.

The appraised property is the **AYALA NORTH POINT TECHNOHUB (building and its facilities)** located **along Bacolod North Road (National Highway), within Barangay XVIII, Zone 15, Talisay City, Negros Occidental.**

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of building and its facilities only, this report pertaining to the said item therefore, partakes the nature of a fractional appraisal and is rendered as such.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **11 December 2023** using is reasonably represented in the amount of **THREE HUNDRED SEVENTEEN MILLION SEVEN HUNDRED EIGHTY-THREE THOUSAND (Php317,783,000) PESOS.**


We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 0881006

16 January 2023

City of Manila

AVS:asu

CAI File No. 11-2023-1072-010A

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2024-1072-010A**

## VALUATION REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Barangay XVIII, Zone 15, Talisay City, Negros Occidental. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the property is **The District – North Point (Ayala Malls)**, located **on the east side of Bacolod North Road (National Highway), within Barangay XVIII, Zone 15, Talisay City, Negros Occidental**.

The property is located across Phoenix Gas Service Station; approximately 380 meters northeast from DPWH 1<sup>st</sup> Engineering District Office; 550 meters northeast of Wilcon Depot-Talisay; 680 meters northeast from Ford Negros; and about 1.60 kilometers north from New Ceres North Terminal.

Bacolod North Road (National Highway) is 40 meters wide concrete-paved and provided with concrete curbs and gutters, center island, and underground drainage.

### III. NEIGHBORHOOD DATA

The property is located in an area where land development is of mixed use, specifically residential, institutional and commercial.

Generally, the roads in the neighborhood are designed to accommodate light to moderate vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 20 to 40 meters and lighted with street lamps.

Some of the important improvements in the vicinity are:

Ayala North Point Subdivision  
Town and Country Subdivision  
La Costa Brava Subdivision  
New Ceres North Terminal  
Pepsi Cola Plant - Bacolod  
Trafalgar Square

The subject property and Talisay Public Market serve as the shopping and marketing needs of the residents in the area. These are accessible from Bacolod North Road (National Highway) by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Talisay City is available along Bacolod North Road (National Highway) where the subject property fronts. Road lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. AYALA NORTH POINT TECHNOHUB**

**Ayala North Point Technohub stands on 35,375-square meter land and the buildings thereon are described as follows:**

Ayala North Point Technohub is a two-story PEZA- certified Technohub located beside the Ayala North Point development in the City of Smiles, Bacolod City. Building amenities include large floor plates of approximately 2,596 square meters, a roomy density ratio of 5 square meters per person, and round-the-clock utilities and building services ideal for the needs of BPO firms and employees. The campus has a Gross Leasable Area of 4,183 square meters, with more amenities that include 100% back up power, two major telecommunication lines, and easily accessible retail stores. Highly secured and easily accessible through public transport, the structure will be registered with PEZA and is now ready for occupancy.

Estimated remaining economic life is 28 years.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php33,991,891 including dues-net, and average lease rates is Php480/sq.m./mo. for office on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 2% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital(WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

**Discounted Cash Flow Analysis (in PhP)  
AYALA NORTH POINT TECHNOHUB**

STATISTICS														
Gross Leasable Area	Office Space	4,653.50	sq.m.	Ave. Lease Rate on Yr. 1 Php480/sq.m./mo. Php5,760/sq.m./yr.										
Vacancy Rate (incl. bad debts)	0%	of gross revenues	(ave.)											
Terminal Capitalization Rate		7.51157%												
Discount Rate		9.51157%												
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>														
		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>														
			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	0%	of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>33,991,891</b>	<b>39,310,745</b>	<b>41,276,282</b>	<b>43,340,096</b>	<b>45,507,101</b>	<b>46,417,243</b>	<b>47,345,588</b>	<b>48,292,500</b>	<b>49,258,350</b>	<b>50,243,517</b>	<b>444,983,315</b>	<b>51,248,387</b>
<b>LESS: OPERATING EXPENSES</b>														
		Php(000)												
<b>Direct Operating Expenses</b>														
Outside services			2,745,934	2,831,058	2,918,821	3,009,304	3,102,593	3,164,645	3,227,938	3,292,496	3,358,346	3,425,513	31,076,648	
Repairs and maintenance			4,489,723	4,628,904	4,772,400	4,920,344	5,072,875	5,174,333	5,277,819	5,383,376	5,491,043	5,600,864	50,811,680	
Miscellaneous			209,080	215,561	222,244	229,133	236,237	240,961	245,780	250,696	255,710	260,824	2,366,227	
Land lease			2,680,223	2,814,235	2,954,946	3,102,694	3,257,828	3,322,985	3,389,444	3,457,233	3,526,378	3,596,906	32,102,872	
Building lease			-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			1,995,990	2,164,281	2,250,009	2,339,326	2,432,391	2,481,039	2,530,659	2,581,273	2,632,898	2,685,556	24,093,421	
Management fees			2,212,295	2,548,626	2,671,599	2,801,042	2,937,290	2,996,035	3,055,956	3,117,075	3,179,417	3,243,005	28,762,340	
Insurance			188,669	194,329	200,159	206,164	212,349	216,596	220,928	225,346	229,853	234,450	2,128,846	
Others			543,762	560,618	577,997	595,915	614,389	626,676	639,210	651,994	665,034	678,335	6,153,931	
			15,065,676	15,957,612	16,568,175	17,203,924	17,865,951	18,223,270	18,587,735	18,959,490	19,338,680	19,725,453	177,495,965	20,119,962
<b>General Administrative Expenses</b>														
Capital Expenditures			804,067	844,270	886,484	930,808	977,348	996,895	1,016,833	1,037,170	1,057,913	1,079,072	9,630,862	1,100,653
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>15,869,743</b>	<b>16,801,882</b>	<b>17,454,659</b>	<b>18,134,732</b>	<b>18,843,299</b>	<b>19,220,165</b>	<b>19,604,568</b>	<b>19,996,660</b>	<b>20,396,593</b>	<b>20,804,525</b>	<b>187,126,827</b>	<b>21,220,615</b>
<b>NET INCOME</b>														
			<b>18,122,148</b>	<b>22,508,863</b>	<b>23,821,623</b>	<b>25,205,365</b>	<b>26,663,802</b>	<b>27,197,078</b>	<b>27,741,020</b>	<b>28,295,840</b>	<b>28,861,757</b>	<b>29,438,992</b>	<b>257,856,488</b>	<b>30,027,772</b>
<b>ADD: Reversion Value (Resale Value)</b>														
														399,753,606
<b>LESS: Marketing Cost</b>														
	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														
														399,753,606
Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>16,548,158</b>	<b>18,768,672</b>	<b>18,138,081</b>	<b>17,524,796</b>	<b>16,928,639</b>	<b>15,767,477</b>	<b>14,685,961</b>	<b>13,678,628</b>	<b>12,740,390</b>	<b>11,866,507</b>	<b>156,647,310</b>	
<b>Present Worth of Net Reversion Value</b>														
														161,135,911
<b>Total Present Value of Net Income</b>														
														156,647,310
<b>Present Worth of Net Reversion Value</b>														
														161,135,911
<b>Total</b>														
														317,783,221
<b>Market Value of Property (building and its facilities)</b>														
														317,783,221
<b>Rounded to</b>														
														317,783,000





On the basis of the foregoing, the market value of the AYALA NORTH POINT TECHNOHUB (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php317,783,000**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **AYALA NORTH POINT – TECHNOHUB**

Located at  
**Barangay XVIII, Zone 15**  
**Talisay City, Negros Occidental**

05 February 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

05 February 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-010A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us as by the **AREIT, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of **31 December 2023**.

The appraised property is the **AYALA NORTH POINT TECHNOHUB (building and its facilities)** located **along Bacolod North Road (National Highway), within Barangay XVIII, Zone 15, Talisay City, Negros Occidental.**

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of building and its facilities only, this report pertaining to the said item therefore, partakes the nature of a fractional appraisal and is rendered as such.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **11 December 2023** using is reasonably represented in the amount of **THREE HUNDRED SEVENTEEN MILLION SEVEN HUNDRED EIGHTY-THREE THOUSAND (Php317,783,000) PESOS.**


We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 0881006

16 January 2023

City of Manila

AVS:asu

CAI File No. 11-2023-1072-010A

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2024-1072-010A**

## VALUATION REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Barangay XVIII, Zone 15, Talisay City, Negros Occidental. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the property is **The District – North Point (Ayala Malls)**, located **on the east side of Bacolod North Road (National Highway), within Barangay XVIII, Zone 15, Talisay City, Negros Occidental**.

The property is located across Phoenix Gas Service Station; approximately 380 meters northeast from DPWH 1<sup>st</sup> Engineering District Office; 550 meters northeast of Wilcon Depot-Talisay; 680 meters northeast from Ford Negros; and about 1.60 kilometers north from New Ceres North Terminal.

Bacolod North Road (National Highway) is 40 meters wide concrete-paved and provided with concrete curbs and gutters, center island, and underground drainage.

### III. NEIGHBORHOOD DATA

The property is located in an area where land development is of mixed use, specifically residential, institutional and commercial.

Generally, the roads in the neighborhood are designed to accommodate light to moderate vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 20 to 40 meters and lighted with street lamps.



Some of the important improvements in the vicinity are:

Ayala North Point Subdivision  
Town and Country Subdivision  
La Costa Brava Subdivision  
New Ceres North Terminal  
Pepsi Cola Plant - Bacolod  
Trafalgar Square

The subject property and Talisay Public Market serve as the shopping and marketing needs of the residents in the area. These are accessible from Bacolod North Road (National Highway) by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Talisay City is available along Bacolod North Road (National Highway) where the subject property fronts. Road lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. AYALA NORTH POINT TECHNOHUB**

**Ayala North Point Technohub stands on 35,375-square meter land and the buildings thereon are described as follows:**

Ayala North Point Technohub is a two-story PEZA- certified Technohub located beside the Ayala North Point development in the City of Smiles, Bacolod City. Building amenities include large floor plates of approximately 2,596 square meters, a roomy density ratio of 5 square meters per person, and round-the-clock utilities and building services ideal for the needs of BPO firms and employees. The campus has a Gross Leasable Area of 4,183 square meters, with more amenities that include 100% back up power, two major telecommunication lines, and easily accessible retail stores. Highly secured and easily accessible through public transport, the structure will be registered with PEZA and is now ready for occupancy.

Estimated remaining economic life is 28 years.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php33,991,891 including dues-net, and average lease rates is Php480/sq.m./mo. for office on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 2% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital(WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

**Discounted Cash Flow Analysis (in PhP)  
AYALA NORTH POINT TECHNOHUB**

STATISTICS														
Gross Leasable Area	Office Space	4,653.50	sq.m.	Ave. Lease Rate on Yr. 1 Php480/sq.m./mo. Php5,760/sq.m./yr.										
Vacancy Rate (incl. bad debts)	0%	of gross revenues	(ave.)											
Terminal Capitalization Rate				7.51157%										
Discount Rate				9.51157%										
Present Worth Factor				0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>														
		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>														
			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	0%	of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>33,991,891</b>	<b>39,310,745</b>	<b>41,276,282</b>	<b>43,340,096</b>	<b>45,507,101</b>	<b>46,417,243</b>	<b>47,345,588</b>	<b>48,292,500</b>	<b>49,258,350</b>	<b>50,243,517</b>	<b>444,983,315</b>	<b>51,248,387</b>
<b>LESS: OPERATING EXPENSES</b>														
		Php(000)												
<b>Direct Operating Expenses</b>														
Outside services			2,745,934	2,831,058	2,918,821	3,009,304	3,102,593	3,164,645	3,227,938	3,292,496	3,358,346	3,425,513	31,076,648	
Repairs and maintenance			4,489,723	4,628,904	4,772,400	4,920,344	5,072,875	5,174,333	5,277,819	5,383,376	5,491,043	5,600,864	50,811,680	
Miscellaneous			209,080	215,561	222,244	229,133	236,237	240,961	245,780	250,696	255,710	260,824	2,366,227	
Land lease			2,680,223	2,814,235	2,954,946	3,102,694	3,257,828	3,322,985	3,389,444	3,457,233	3,526,378	3,596,906	32,102,872	
Building lease			-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			1,995,990	2,164,281	2,250,009	2,339,326	2,432,391	2,481,039	2,530,659	2,581,273	2,632,898	2,685,556	24,093,421	
Management fees			2,212,295	2,548,626	2,671,599	2,801,042	2,937,290	2,996,035	3,055,956	3,117,075	3,179,417	3,243,005	28,762,340	
Insurance			188,669	194,329	200,159	206,164	212,349	216,596	220,928	225,346	229,853	234,450	2,128,846	
Others			543,762	560,618	577,997	595,915	614,389	626,676	639,210	651,994	665,034	678,335	6,153,931	
			15,065,676	15,957,612	16,568,175	17,203,924	17,865,951	18,223,270	18,587,735	18,959,490	19,338,680	19,725,453	177,495,965	20,119,962
<b>General Administrative Expenses</b>														
Capital Expenditures			804,067	844,270	886,484	930,808	977,348	996,895	1,016,833	1,037,170	1,057,913	1,079,072	9,630,862	1,100,653
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>15,869,743</b>	<b>16,801,882</b>	<b>17,454,659</b>	<b>18,134,732</b>	<b>18,843,299</b>	<b>19,220,165</b>	<b>19,604,568</b>	<b>19,996,660</b>	<b>20,396,593</b>	<b>20,804,525</b>	<b>187,126,827</b>	<b>21,220,615</b>
<b>NET INCOME</b>														
			<b>18,122,148</b>	<b>22,508,863</b>	<b>23,821,623</b>	<b>25,205,365</b>	<b>26,663,802</b>	<b>27,197,078</b>	<b>27,741,020</b>	<b>28,295,840</b>	<b>28,861,757</b>	<b>29,438,992</b>	<b>257,856,488</b>	<b>30,027,772</b>
<b>ADD: Reversion Value (Resale Value)</b>														
														399,753,606
<b>LESS: Marketing Cost</b>														
	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														
														399,753,606
Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>16,548,158</b>	<b>18,768,672</b>	<b>18,138,081</b>	<b>17,524,796</b>	<b>16,928,639</b>	<b>15,767,477</b>	<b>14,685,961</b>	<b>13,678,628</b>	<b>12,740,390</b>	<b>11,866,507</b>	<b>156,647,310</b>	
<b>Present Worth of Net Reversion Value</b>														
														161,135,911
<b>Total Present Value of Net Income</b>														
														156,647,310
<b>Present Worth of Net Reversion Value</b>														
														161,135,911
<b>Total</b>														
														317,783,221
<b>Market Value of Property (building and its facilities)</b>														
														PhP 317,783,221
<b>Rounded to</b>														
														PhP 317,783,000



On the basis of the foregoing, the market value of the AYALA NORTH POINT TECHNOHUB (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php317,783,000**

**MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**BACOLOD CAPITOL CORPORATE CENTER**

Located in  
**Barangay 8, Bacolod City  
Negros Occidental**

29 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 24 January 2020. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2017 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 38 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



29 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-011A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us as by the **AREIT, INC.** for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **31 December 2023**.

The appraised property is the **BACOLOD CAPITOL CORPORATE CENTER (building and its facilities)**, located in **Barangay 8, Bacolod City, Negros Occidental**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying summary, valuation report on land and inventory, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **SEVEN HUNDRED EIGHTY-TWO MILLION NINE HUNDRED TWENTY-FIVE THOUSAND (Php782,925,000) PESOS.**

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:mfm

**CAI File No. 11-2023-1072-011A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-011A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located at the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the property is the **Bacolod Capitol Corporate Center**, located **on a block bounded by Gatuslao and San Juan Streets, and North and South Capitol Roads, within Barangay 8, Bacolod City, Negros Occidental**.

The site of Ayala Malls Capitol Central Bacolod is located on the northwest side of Gatuslao Street across Negros Occidental Provincial Capital approximately 60 meters north Negros Museum; 180 meters north of Land Bank-Bacolod; 320 meters north from 888 Chinatown Square Mall; 800 meters northeast from Bacolod Public Plaza and about 1.20 kilometers northeast from SM City Bacolod.

Gatuslao and San Juan Streets are 12-meter wide, while North and South Capitol Roads are both 15 meters wide. These are all concrete paved and provided with concrete curbs and gutters, and underground drainage.

### III. NEIGHBORHOOD DATA

The property is located in an area where land development is of mixed use, specifically residential, institutional and commercial.

Generally, the roads in the neighborhood are designed to accommodate light to moderate vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 20 to 40 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Negros Occidental Provincial Capitol
- The Negros Museum
- Hall of Justice – Bacolod City
- Seda Hotel Bacolod
- Capitol Park and Lagoon
- Amaia Steps Capitol Central

The subject property, SM City Bacolod, 888 Chinatown Square Mall and Robinson's Mall Bacolod serve as the shopping and commercial centers in the area. These malls are accessible from Gatuslao Street and Lacson Street (National Highway) by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfares.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Bacolod City is available along Lacson Street (National Highway) which is approximately 260 meters from the subject property. Road lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. BACOLOD CAPITOL CORPORATE CENTER**

This is a six (6)-storey, reinforced concrete-framed building with roof deck parking, having reinforced concrete slab roof with water proofing membrane and partly pre-painted rib type long span iron sheet roof on steel frames; acoustic board on aluminum T-runner frame, fibered cement board, steel panel and exposed slab ceilings; cement plastered concrete hollow blocks, glass on powder coated aluminum frame, and clear glass view walls; cement plastered concrete hollow blocks partitions; metal exits, steel plate, wood panel, glass on powder coated aluminum frame, automatic frameless glass, swing glass, steel roll-up, and steel doors; iron grill and stainless steel railings; granite tile finish floor to walls at comfort rooms; and granite tile and ceramic tile finished concrete floors.

The building features retail shops of bare condition having concrete slab floor, fibered cement board on metal furring ceilings; cement plastered concrete hollow block walls; cement plastered concrete hollow block and gypsum board partitions; clear glass on aluminum frame windows; automatic frameless glass, wood panel and glass on aluminum frame doors; laminated wood plank, granite/glazed, ceramic tiles and epoxy paint finished concrete floors; and granite tile wall to floor at comfort rooms.

This is painted and provided with firefighting and alarm system, centralized air conditioning, cctv cameras, water supply system, underground cistern, air wells, escalators, five (5) elevators, electrical, plumbing and telecommunication facilities. Total floor area is approximately 151,990 square meters, allocated as follows:

Floor Level	Area (sq.m.)
Ground	20,405
First	23,018
Second	24,062
Third	22,592
Fourth	22,083
Fifth	18,669
Sixth	11,662
Roofdeck / Parking	<u>9,500</u>
	<b>Total - 151,990 sq. m.</b>

Estimated remaining economic life is 38 years.

This building stands on a 33,845 square meters lot.

#### **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

#### **VIII. VALUATION**

The estimate of Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

## Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;

2. The projected effective gross revenue on year 1 is estimated at Php87,856,532 including dues-net, and average lease rates are Php500/sq.m./mo. for office on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 3.50% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital(WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.



Discounted Cash Flow Analysis (in PhP)														
AYALA MALLS CAPITOL CENTRAL BACOLOD														
<b>STATISTICS</b>														
Gross Leasable Space	Office Space	11,313.14	sq.m.	Ave. Lease Rate on Yr. 1										
				Php500/sq.m./mo.										
				Php6,000/sq.m./yr.										
Vacancy Rate (incl. bad debts)	0%	of gross revenues	(ave.)											
Terminal Capitalization Rate	6.01157%													
Discount Rate	9.51157%													
Present Worth Factor		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309			
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	0%	of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>87,856,532</b>	<b>88,942,003</b>	<b>90,084,925</b>	<b>91,287,914</b>	<b>92,553,583</b>	<b>95,792,958</b>	<b>99,145,712</b>	<b>102,615,812</b>	<b>106,207,365</b>	<b>109,924,623</b>	<b>964,411,427</b>	<b>113,771,985</b>
<b>LESS: OPERATING EXPENSES</b>		Php(000)												
Direct Operating Expenses														
Outside services			4,938,331	5,091,419	5,249,253	5,411,980	5,579,751	5,775,043	5,977,169	6,186,370	6,402,893	6,626,994	57,239,202	
Repairs and maintenance			9,461,003	9,754,295	10,056,678	10,368,435	10,689,856	11,064,001	11,451,241	11,852,035	12,266,856	12,696,196	109,660,595	
Miscellaneous			699,490	721,175	743,531	766,581	790,345	818,007	846,637	876,269	906,939	938,681	8,107,654	
Land lease			4,358,558	4,415,348	4,457,969	4,514,832	4,559,099	4,718,667	4,883,821	5,054,754	5,231,671	5,414,779	47,609,498	
Building lease			-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses			6,702,688	6,886,871	7,075,304	7,269,956	7,371,736	7,629,747	7,896,788	8,173,176	8,459,237	8,755,310	76,220,813	
Management fees			6,296,802	6,303,910	6,324,223	6,345,782	6,386,031	6,609,542	6,840,876	7,080,306	7,328,117	7,584,601	67,100,191	
Insurance			628,532	647,388	666,809	686,814	707,418	732,178	757,804	784,327	811,779	840,191	7,263,239	
Others			1,040,231	1,072,478	1,105,725	1,140,002	1,175,342	1,216,479	1,259,056	1,303,123	1,348,732	1,395,938	12,057,105	
			34,125,636	34,892,883	35,679,492	36,504,380	37,259,578	38,563,663	39,913,391	41,310,360	42,756,223	44,252,690	385,258,296	45,801,535
General Administrative Expenses			-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures			2,045,554	2,046,014	2,046,496	2,047,003	2,047,535	2,119,199	2,193,371	2,270,138	2,349,593	2,431,829	21,596,733	2,516,943
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>36,171,191</b>	<b>36,938,897</b>	<b>37,725,988</b>	<b>38,551,383</b>	<b>39,307,113</b>	<b>40,682,862</b>	<b>42,106,762</b>	<b>43,580,498</b>	<b>45,105,816</b>	<b>46,684,519</b>	<b>406,855,028</b>	<b>48,318,478</b>
<b>NET INCOME</b>			<b>51,685,341</b>	<b>52,003,106</b>	<b>52,358,937</b>	<b>52,736,532</b>	<b>53,246,470</b>	<b>55,110,097</b>	<b>57,038,950</b>	<b>59,035,313</b>	<b>61,101,549</b>	<b>63,240,104</b>	<b>557,556,399</b>	<b>65,453,507</b>
<b>ADD: Reversion Value (Resale Value)</b>														1,088,792,231
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														<b>1,088,792,231</b>
Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>47,196,238</b>	<b>43,361,996</b>	<b>39,866,748</b>	<b>36,666,676</b>	<b>33,805,767</b>	<b>31,950,021</b>	<b>30,196,144</b>	<b>28,538,545</b>	<b>26,971,939</b>	<b>25,491,331</b>	<b>344,045,406</b>	<b>438,879,162</b>
<b>Present Worth of Net Reversion Value</b>														
<b>Total Present Value of Net Income</b>														<b>344,045,406</b>
<b>Present Worth of Net Reversion Value</b>														<b>438,879,162</b>
<b>Total</b>														<b>782,924,568</b>
<b>Market Value of Property (building and its facilities)</b>														<b>PhP 782,924,568</b>
<b>Rounded to</b>														<b>PhP 782,925,000</b>

On the basis of the foregoing, the market value of the **BACOLOD CAPITOL CORPORATE CENTER (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php782,925,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us as owned by the  
***AREIT, INC.***

### **EBLOC 1 - CEBU IT PARK**

Located in  
**Cebu IT Park**  
**Barangay Lahug, Cebu City**

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-012A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of certain property exhibited to us as owned by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2023**.

The appraised property is the site of **JP MORGAN CHASE & COMPANY – Cebu IT Park**, located **along Jose Maria del Mar Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **TWO BILLION ONE HUNDRED THIRTY-SIX MILLION SEVEN HUNDRED THIRTY-ONE THOUSAND (Php2,136,731,000) PESOS.**

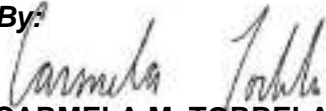
We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

CMT:roa:moa

**CAI File No. 11-2023-1072-012A**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 11-2023-1072-012A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of certain real property located within Cebu IT Park, Barangay Lahug, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is identified as the site of the **JP MORGAN CHASE & COMPANY – Cebu IT Park**, located **on the southeast side of Jose Maria del Mar Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The site of JP Morgan Chase and Company is located across Eblock 4 and Avida Towers Riala, approximately 90 meters northwest from Governor M. Cuenco Avenue; and about 600 meters northeast from Salinas Drive.

Jose Maria del Mar Street is 25 meters wide, concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, center island and underground drainage.

### **III. NEIGHBORHOOD DATA**

Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the Information Technology Services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.



Generally, the roads in the neighborhood are designed to accommodate light to medium vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

- Avida Towers - Cebu
- Skyrise 1 to 3
- eBlock Towers 2 to 4
- Park Centrale
- Filinvest Cebu Cyberzone
- Calyx Centre
- TGU Tower
- Ayala Central Block Mall

Ayala Central Block Mall – Cebu and SM City – Cebu serve the commercial, shopping and marketing needs of the residents in the area. These are accessible from the subject property by taxicabs and hired motorcycles (locally known as habal-habal). Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the site.

Public transportation connecting to various sections of Cebu City, as well as to other parts of Cebu Province, is available along Salinas Drive which is approximately 600 meters from the subject building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE SUBJECT BUILDING**

##### **JP Morgan Chase & Company Building (EBLOC 1)**

This is a 12-storey reinforced concrete-framed building with roof deck having reinforced concrete slab roof deck; reinforced concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; awning glass on aluminum frame and glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

The building is painted and provided with electrical lighting and plumbing facilities. Total floor area is approximately 20,841.90 square meters.

Reportedly, this building was built in year 2008.

Estimated remaining economic life of this building is 26 years.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing office/commercial building utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php222,814,918 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.01157% (discount rate less growth rate).

Discounted Cash Flow Analysis (in PHP)													
EBLOC 1													
<b>STATISTICS</b>													
Estimated Leasable Area	20,841.90	sq.m.											
Vacancy Rate (incl. bad debts)	-												
Terminal Capitalization Rate	7.01157%												
Discount Rate	9.51157%												
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b> <b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>													
Dues - Net			-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>													
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		219,743,322	222,841,918	214,156,830	224,835,472	236,051,891	247,833,095	254,028,922	260,379,645	266,889,136	273,561,365	280,400,399	<b>2,480,978,673</b>
<b>LESS: OPERATING EXPENSES</b>													
Direct Operating Expenses													
Outside services			10,536,000	10,862,616	11,199,357	11,546,537	11,904,480	12,202,092	12,507,144	12,819,823	13,140,318	13,468,826	120,187,193
Repairs and maintenance			13,227,000	13,637,037	14,059,785	14,495,638	14,945,003	15,318,628	15,701,594	16,094,134	16,496,487	16,908,899	150,884,207
Miscellaneous			1,295,412	1,335,570	1,376,972	1,419,659	1,463,668	1,500,260	1,537,766	1,576,210	1,615,616	1,656,006	14,777,139
Land lease			15,390,432	15,794,914	16,570,869	17,385,621	18,241,111	18,697,139	19,164,567	19,643,682	20,134,774	20,638,143	181,661,252
Building lease			-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			3,987,548	4,028,871	3,952,678	4,070,452	4,193,945	4,298,794	4,406,264	4,516,420	4,629,331	4,745,064	42,829,369
Management fees			16,963,074	16,647,437	17,403,963	18,188,618	19,013,731	19,489,074	19,976,301	20,475,708	20,987,601	21,512,291	190,657,797
Insurance			-	-	-	-	-	-	-	-	-	-	-
Others			3,213,600	3,313,222	3,415,931	3,521,825	3,631,002	3,721,777	3,814,821	3,910,192	4,007,947	4,108,145	36,658,463
			64,613,067	65,619,666	67,979,556	70,628,351	73,392,940	75,227,764	77,108,458	79,036,169	81,012,073	83,037,375	737,655,418
General Administrative Expenses			720,000	742,320	765,332	789,057	813,518	833,856	854,702	876,070	897,972	920,421	8,213,248
Capital Expenditures			5,643,159	5,791,468	6,075,985	6,374,728	6,688,407	6,855,818	7,027,008	7,202,683	7,382,750	7,567,319	66,609,126
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>70,976,225</b>	<b>72,153,455</b>	<b>74,820,873</b>	<b>77,792,136</b>	<b>80,894,865</b>	<b>82,917,237</b>	<b>84,990,168</b>	<b>87,114,922</b>	<b>89,292,795</b>	<b>91,525,115</b>	<b>812,477,792</b>
<b>NET INCOME</b>			<b>151,865,692</b>	<b>142,003,375</b>	<b>150,014,599</b>	<b>158,259,755</b>	<b>166,938,229</b>	<b>171,111,685</b>	<b>175,389,477</b>	<b>179,774,214</b>	<b>184,268,570</b>	<b>188,875,284</b>	<b>1,668,500,881</b>
<b>ADD: Reversion Value (Resale Value)</b>													2,761,110,079
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												0
<b>Net Reversion Value</b>													2,761,110,079
Present Worth Factor @ 9.51157% discount rate			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309
<b>Present Worth of Net Income</b>			<b>138,675,477</b>	<b>118,407,348</b>	<b>114,222,986</b>	<b>110,034,904</b>	<b>105,987,775</b>	<b>99,201,819</b>	<b>92,850,340</b>	<b>86,905,519</b>	<b>81,341,320</b>	<b>76,133,374</b>	<b>1,023,760,864</b>
<b>Present Worth of Net Reversion Value</b>													1,112,970,541
<b>Total Present Value of Net Income</b>													1,023,760,864
<b>Present Worth of Net Reversion Value</b>													1,112,970,541
<b>Total</b>													<b>2,136,731,404</b>
Market Value of Property (building and its facilities)													PHP 2,136,731,404
Rounded to													PHP 2,136,731,000



On the Basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,136,731,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us as owned by the  
***AREIT, INC.***

### **EBLOC 2 - CEBU IT PARK**

Located in  
**Cebu IT Park**  
**Barangay Lahug, Cebu City**

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-013A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us as owned by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2023**.

The appraised property is identified as the site of **Ebloc 2 – Cebu IT Park**, located **along W. Geonzon Street and extending to V. Padriga Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **TWO BILLION SIX HUNDRED THIRTY-FOUR MILLION THREE HUNDRED FORTY-FIVE THOUSAND (Php2,634,345,000) PESOS.**

We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

CMT:roa:moa

**CAI File No. 11-2023-1072-013A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-013A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of certain real property located within Cebu IT Park, Barangay Lahug, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is identified as the site of **Ebloc 2 Building – Cebu IT Park**, located **on the northwest side of W. Geonzon Street extending to the southwest side of V. Padriga Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The property is located approximately 180 meters southwest from I. Villa Street, 200 meters northwest from J.M. del Mar Street; 350 meters northeast from Salinas Drive; and about 750 meters northwest from Governor M. Cuenco Avenue.

W. Geonzon Street is 25 meters wide, while Padriga Street is 20 meters wide. Both roads are concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, center island and underground drainage.

### III. NEIGHBORHOOD DATA

Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to medium vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

- Avida Towers - Cebu
- Skyrise 1 to 3
- eBloc Towers 1 to 4
- Park Centrale
- Filinvest Cebu Cyberzone
- Calyx Centre
- TGU Tower
- Ayala Central Block Mall

Ayala Central Block Mall – Cebu and SM City – Cebu serve the shopping and marketing needs of the residents in the area. These are accessible from the subject property by taxicabs and hired motorcycles (locally known as habal-habal). Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the site.

Public transportation connecting to various sections of Cebu City as well as to other parts of Cebu Province, is available along Salinas Drive which is approximately 350 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE SUBJECT BUILDING**

##### **Ebloc 2 Building**

This is an eighteen (18)-storey reinforced concrete-framed building with roof deck having reinforced concrete slab floors and roof deck; reinforced concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring, gypsum board and acoustic board on aluminum T-runner ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; awning glass on aluminum frame and glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

The building is painted and provided with electrical lighting and plumbing facilities. Total floor area including parking areas is approximately 34,762 square meters.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing office/commercial building utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php303,500,881 including dues-net;
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.01157% (discount rate less growth rate).

Discounted Cash Flow Analysis (in PhP)														
EBLOC 2														
<b>STATISTICS</b>														
Estimated Leasable Area	27,727.33	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	7.01157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-		
Retails			-	-	-	-	-	-	-	-	-	-		
Parking Slots			-	-	-	-	-	-	-	-	-	-		
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-		
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			298,015,513	303,500,881	305,687,870	311,056,599	297,021,661	287,600,042	294,790,043	302,159,795	309,713,789	317,456,634	325,393,050	3,054,380,365
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			9,114,000	9,396,534	9,687,827	9,988,149	10,297,782	10,555,226	10,819,107	11,089,585	11,366,824	11,650,995	103,966,029	
Repairs and maintenance			16,304,400	16,809,836	17,330,941	17,868,201	18,422,115	18,882,668	19,354,734	19,838,603	20,334,568	20,842,932	185,988,997	
Miscellaneous			1,812,000	1,868,172	1,926,085	1,985,794	2,047,354	2,098,537	2,151,001	2,204,776	2,259,895	2,316,393	20,670,007	
Land lease			18,942,530	19,330,275	19,779,344	19,639,682	19,530,914	20,019,186	20,519,666	21,032,658	21,558,474	22,097,436	202,450,165	
Building lease			-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses			7,688,469	7,821,455	7,923,880	8,060,619	8,005,897	8,206,044	8,411,195	8,621,475	8,837,012	9,057,937	82,633,984	
Management fees			22,940,893	22,887,006	23,025,563	22,385,001	21,809,310	22,354,543	22,913,407	23,486,242	24,073,398	24,675,233	230,550,595	
Insurance			-	-	-	-	-	-	-	-	-	-	-	
Others			3,005,494	3,024,954	3,118,728	3,215,408	3,315,086	3,397,963	3,482,912	3,569,985	3,659,234	3,750,715	33,540,479	
			79,807,786	81,138,232	82,792,367	83,142,854	83,428,457	85,514,168	87,652,022	89,843,323	92,089,406	94,391,641	859,800,256	96,751,432
General Administrative Expenses			720,000	742,320	765,332	789,057	813,518	833,856	854,702	876,070	897,972	920,421	8,213,248	943,431
Capital Expenditures			6,945,594	7,087,768	7,252,426	7,201,217	7,161,335	7,340,368	7,523,878	7,711,975	7,904,774	8,102,393	74,231,727	8,304,953
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>87,473,380</b>	<b>88,968,320</b>	<b>90,810,125</b>	<b>91,133,128</b>	<b>91,403,310</b>	<b>93,688,392</b>	<b>96,030,602</b>	<b>98,431,367</b>	<b>100,892,151</b>	<b>103,414,455</b>	<b>942,245,231</b>	<b>105,999,817</b>
<b>NET INCOME</b>			<b>216,027,501</b>	<b>216,719,551</b>	<b>220,246,474</b>	<b>205,888,532</b>	<b>196,196,733</b>	<b>201,101,651</b>	<b>206,129,192</b>	<b>211,282,422</b>	<b>216,564,483</b>	<b>221,978,595</b>	<b>2,112,135,133</b>	<b>227,528,060</b>
<b>ADD: Reversion Value (Resale Value)</b>														3,245,037,268
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														3,245,037,268
Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>197,264,546</b>	<b>180,708,292</b>	<b>167,698,411</b>	<b>143,150,258</b>	<b>124,563,770</b>	<b>116,588,470</b>	<b>109,123,796</b>	<b>102,137,054</b>	<b>95,597,643</b>	<b>89,476,924</b>	<b>1,326,309,165</b>	
<b>Present Worth of Net Reversion Value</b>														1,308,035,819
<b>Total Present Value of Net Income</b>														1,326,309,165
<b>Present Worth of Net Reversion Value</b>														1,308,035,819
<b>Total</b>														2,634,344,984
<b>Market Value of Property (building and its facilities)</b>														PhP 2,634,344,984
<b>Rounded to</b>														PhP 2,634,345,000





On the Basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,634,345,000**.

**MARKET VALUE APPRAISAL**

Property exhibited to us as owned by the  
***AREIT, INC.***

**EBLOC 3 - CEBU IT PARK**

Located in  
**Cebu IT Park**  
**Barangay Lahug, Cebu City**

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

## Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-014A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain property exhibited to us as owned by the **AREIT, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **31 December 2023**.

The appraised property is the site of **Ebloc 3 Building – Cebu IT Park**, located along **V. Padriga Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **ONE BILLION THREE HUNDRED FIFTY-SIX MILLION FIVE HUNDRED SIXTY-FOUR THOUSAND (Php1,356,564,000) PESOS.**

We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

CMT:roa:moa

**CAI File No. 11-2023-1072-014A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-014A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of certain real property located within Cebu IT Park, Barangay Lahug, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is identified as the **Ebloc 3 Building – Cebu IT Park**, located **on the southwest side of V. Padriga Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The property is located across Ebloc 2, approximately 180 meters northwest from W. Geonzon Street; 360 meters southwest from I. Villa Street; 380 meters northwest from J.M. del Mar Street; and about 530 meters northeast from Salinas Drive.

V. Padriga Street is 20 meters wide, concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, center island and underground drainage.

### **III. NEIGHBORHOOD DATA**

Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the Information Technology Services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to medium vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.



Some of the important improvements in Cebu IT Park are:

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- Skyrise 1 to 3
- eBloc Towers 1 to 4
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- Garden Bloc

Ayala Central Block Mall – Cebu and SM City – Cebu serve the shopping and marketing needs of the residents in the area. These are accessible from the subject property by taxicabs and hired motorcycles (locally known as habal-habal). Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the site.

Public transportation connecting to various sections of Cebu City as well as to other parts of Cebu Province is available along Salinas Drive which is approximately 530 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE SUBJECT BUILDING**

##### **Ebloc 3 Building**

This is a 13-storey reinforced concrete-framed building with roof deck having reinforced concrete slab roof deck; reinforced concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring, gypsum board and acoustic board on aluminum t-runner ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; awning glass on aluminum frame and glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

The building is painted and provided with electrical lighting and plumbing facilities. Total floor area including parking areas is 21,444-square meters.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that an **existing office/commercial building utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

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Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php135,723,180 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.01157% (discount rate less growth

**Discounted Cash Flow Analysis (in PhP)**  
**EBLOC 3**

STATISTICS														
Estimated Leasable Area	15,235.47	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	7.01157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	11	
Office Spaces			-	-	-	-	-	-	-	-	-	-		
Retails			-	-	-	-	-	-	-	-	-	-		
Parking Slots			-	-	-	-	-	-	-	-	-	-		
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-		
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	
<b>Effective Gross Revenues (EGR)</b>		137,280,522	<b>135,723,180</b>	<b>151,586,164</b>	<b>156,819,943</b>	<b>164,775,191</b>	<b>173,133,342</b>	<b>177,461,675</b>	<b>181,898,217</b>	<b>186,445,672</b>	<b>191,106,814</b>	<b>195,884,485</b>	<b>1,714,834,683</b>	<b>200,781,597</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services		7,308,555	7,535,120	7,768,709	8,009,538	8,257,834	8,464,280	8,675,887	8,892,784	9,115,104	9,342,981	9,577,125	83,370,792	
Repairs and maintenance		13,304,025	13,716,450	14,141,660	14,580,051	15,032,033	15,407,834	15,793,029	16,187,855	16,592,552	17,007,365	17,431,815	151,762,853	
Miscellaneous		932,541	961,450	991,255	1,021,984	1,053,665	1,080,007	1,107,007	1,134,682	1,163,049	1,192,125	1,221,000	10,637,764	
Land lease		9,363,444	10,714,695	11,109,329	11,661,518	12,241,374	12,547,408	12,861,094	13,182,621	13,512,186	13,849,991	14,194,125	121,043,659	
Building lease		-	-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses		8,752,281	8,804,268	9,032,552	9,156,704	9,310,297	9,543,054	9,781,631	10,026,172	10,276,826	10,533,747	10,797,125	95,217,531	
Management fees		9,881,560	10,955,188	11,232,236	11,638,928	12,073,274	12,375,106	12,684,484	13,001,596	13,326,636	13,659,802	14,000,000	120,828,809	
Insurance		-	-	-	-	-	-	-	-	-	-	-	-	
Others		2,253,487	2,323,345	2,395,369	2,469,625	2,546,184	2,609,838	2,675,084	2,741,961	2,810,510	2,880,773	2,951,000	25,706,177	
		51,795,892	55,010,515	56,671,109	58,538,349	60,514,661	62,027,527	63,578,216	65,167,671	66,796,863	68,466,784	70,184,125	608,567,586	
General Administrative Expenses		720,000	742,320	765,332	789,057	813,518	833,856	854,702	876,070	897,972	920,421	943,431	8,213,248	
Capital Expenditures		3,433,263	3,928,721	4,073,421	4,275,890	4,488,504	4,600,716	4,715,734	4,833,628	4,954,468	5,078,330	5,205,288	44,382,675	
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total</b>		<b>55,949,154</b>	<b>59,681,556</b>	<b>61,509,861</b>	<b>63,603,296</b>	<b>65,816,683</b>	<b>67,462,100</b>	<b>69,148,652</b>	<b>70,877,369</b>	<b>72,649,303</b>	<b>74,465,535</b>	<b>76,327,174</b>	<b>76,327,174</b>	
<b>NET INCOME</b>			<b>79,774,026</b>	<b>91,904,608</b>	<b>95,310,081</b>	<b>101,171,895</b>	<b>107,316,659</b>	<b>109,999,575</b>	<b>112,749,565</b>	<b>115,568,304</b>	<b>118,457,512</b>	<b>121,418,949</b>	<b>1,053,671,174</b>	<b>124,454,423</b>
<b>ADD: Reversion Value (Resale Value)</b>														1,774,986,530
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														<b>1,774,986,530</b>
Present Worth Factor @ 9.51157% discount rate			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309	
<b>Present Worth of Net Income</b>			<b>72,845,294</b>	<b>76,633,255</b>	<b>72,570,284</b>	<b>70,342,835</b>	<b>68,134,507</b>	<b>63,772,138</b>	<b>59,689,073</b>	<b>55,867,431</b>	<b>52,290,472</b>	<b>48,942,530</b>	<b>641,087,819</b>	
<b>Present Worth of Net Reversion Value</b>														<b>715,475,900</b>
<b>Total Present Value of Net Income</b>														<b>641,087,819</b>
<b>Present Worth of Net Reversion Value</b>														<b>715,475,900</b>
<b>Total</b>														<b>1,356,563,719</b>
<b>Market Value of Property (building and its facilities)</b>														<b>1,356,563,719</b>
<b>Rounded to</b>														<b>1,356,564,000</b>



On the Basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,356,564,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us as owned by the  
***AREIT, INC.***

### **EBLOC 4 - CEBU IT PARK**

Located in  
**Cebu IT Park**  
**Barangay Lahug, Cebu City**

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-015A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us as owned by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for REIT Law/ Annual reports for REIT properties use as of **31 December 2023**.

The appraised property is the **EBLOC 4 Building – Cebu IT Park**, located **along Jose Maria del Mar Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **ONE BILLION SEVEN HUNDRED SIXTY-ONE MILLION EIGHT HUNDRED SEVENTY-FOUR THOUSAND (Php1,761,874,000) PESOS.**

We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

CMT:moa

**CAI File No. 11-2023-1072-015A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-015A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of certain real property located within Cebu IT Park, Barangay Lahug, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is the **Ebloc 4 Building – Cebu IT Park**, located **on the southeast side of Jose Maria del Mar Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The property is located across E bloc 1 and Avida Towers Riala, approximately 90-meter northwest from Governor M. Cuenco Avenue; and about 620 meters northeast from Salinas Drive.

Jose Maria del Mar Street is 25 meters wide, concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, center island and underground drainage.

### **III. NEIGHBORHOOD DATA**

Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the Information Technology Services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to medium vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

- Avida Towers - Cebu
- Skyrise 1 to 3
- eBlock Towers 2 to 4
- Park Centrale
- Filinvest Cebu Cyberzone
- Calyx Centre
- TGU Tower
- Ayala Central Block Mall

Ayala Central Block Mall – Cebu and SM City – Cebu serve the shopping and marketing needs of the residents in the area. These are accessible from the subject property by taxicabs and hired motorcycles (locally known as habal-habal). Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the site.

Public transportation connecting to various sections of Cebu City, as well as to the other parts of Cebu Province, is available along Salinas Drive which is approximately 620 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF BUILDING**

##### **Ebloc 4 Building**

This is a twelve (12)-storey reinforced concrete-framed building with roof deck of reinforced concrete slab floors, fiber cement board on metal furring and concrete soffit slab ceilings; reinforced concrete, partly with aluminum composite panel and glass on anodized aluminum frame walls; concrete hollow block, glass on anodized aluminum frame and fiber cement board on steel stud partitions; glass on aluminum frame and glass panel on anodized aluminum frame windows; frameless glass, glass on anodized aluminum frame, insulated steel panel doors; and ceramic and granite tile, carpet and plain cement finished concrete floors.

The building is painted and provided with electrical and plumbing facilities. Total floor area including parking areas is 21,686 square meters.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing office/commercial building utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php180,442,811 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.01157% (discount rate less growth rate).

Discounted Cash Flow Analysis (in PhP)															
EBLOC 4															
STATISTICS															
Estimated Leasable Area	15,835.11	sq.m.													
Vacancy Rate (incl. bad debts)		(ave.)													
Terminal Capitalization Rate	7.01157%														
Discount Rate	9.51157%														
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309			
			Year	1	2	3	4	5	6	7	8	9	10	Totals	
			Escalation	-	-	-	-	-	-	-	-	-	-	-	
GROSS REVENUES															
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-	
Retails			-	-	-	-	-	-	-	-	-	-	-	-	
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-	
PLUS:															
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-	
Total Annual Revenues			-	-	-	-	-	-	-	-	-	-	-	-	
LESS:															
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-	
Effective Gross Revenues (EGR)			175,332,010	180,442,811	189,959,913	200,222,419	195,435,824	208,035,256	213,236,137	218,567,041	224,031,217	229,631,997	235,372,797	2,094,935,411	241,257,117
LESS: OPERATING EXPENSES															
Direct Operating Expenses															
Outside services			8,382,095	8,641,940	8,909,840	9,186,045	9,470,812	9,707,582	9,950,272	10,199,029	10,454,005	10,715,355	95,616,974		
Repairs and maintenance			11,235,739	11,584,046	11,943,152	12,313,390	12,695,105	13,012,482	13,337,794	13,671,239	14,013,020	14,363,346	128,169,313		
Miscellaneous			1,084,705	1,118,331	1,152,999	1,188,742	1,225,593	1,256,233	1,287,638	1,319,829	1,352,825	1,386,646	12,373,540		
Land lease			12,443,978	12,979,908	13,534,186	12,872,021	13,674,631	14,016,497	14,366,910	14,726,082	15,094,234	15,471,590	139,180,039		
Building lease			-	-	-	-	-	-	-	-	-	-	-		
Taxes and licenses			8,719,291	8,796,785	8,919,159	9,049,831	9,030,882	9,256,654	9,488,070	9,725,272	9,968,404	10,217,614	93,171,963		
Management fees			13,386,012	13,702,914	14,103,667	14,074,832	14,947,399	15,321,084	15,704,111	16,096,714	16,499,132	16,911,610	150,747,475		
Insurance			850,355	850,355	850,355	850,355	850,355	871,614	893,405	915,740	938,633	962,099	8,833,269		
Others			2,573,569	2,653,350	2,735,604	2,820,407	2,907,840	2,980,536	3,055,050	3,131,426	3,209,711	3,289,954	29,357,447		
			58,675,743	60,327,629	62,148,962	62,355,624	64,802,618	66,422,683	68,083,250	69,785,331	71,529,965	73,318,214	657,450,020	75,151,169	
General Administrative Expenses			720,000	742,320	765,332	789,057	813,518	833,856	854,702	876,070	897,972	920,421	8,213,248	943,431	
Capital Expenditures			4,562,792	4,759,300	4,962,535	4,719,741	5,014,031	5,139,382	5,267,867	5,399,563	5,534,553	5,672,916	51,032,681	5,814,739	
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0	
Total			63,958,535	65,829,249	67,876,829	67,864,422	70,630,167	72,395,921	74,205,819	76,060,965	77,962,489	79,911,551	716,695,948	81,909,340	
NET INCOME			116,484,275	124,130,664	132,345,590	127,571,401	137,405,089	140,840,216	144,361,221	147,970,252	151,669,508	155,461,246	1,378,239,463	159,347,777	
ADD: Reversion Value (Resale Value)														2,272,640,466	
LESS: Marketing Cost			0.00%	of Resale Value										0	
Net Reversion Value														2,272,640,466	
Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309	
Present Worth of Net Income			106,367,094	103,504,461	100,769,582	88,697,893	87,237,416	81,651,967	76,424,131	71,531,012	66,951,179	62,664,574	845,799,311		
Present Worth of Net Reversion Value														916,074,266	
Total Present Value of Net Income														845,799,311	
Present Worth of Net Reversion Value														916,074,266	
Total														1,761,873,576	
Market Value of Property (building and its facilities)			PhP											1,761,873,576	
Rounded to			PhP											1,761,874,000	





On the Basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,761,874,000**.

## MARKET VALUE APPRAISAL

Property exhibited to us by the

***AREIT, INC.***

Located in

**Cebu Business Park**

**Barangay Luz, Cebu City**

12 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 12 February 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

## Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## CUERVO APPRAISERS, INC.

By:



### LIBERTY SANTIAGO-AÑO, IPA, MRICS

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

12 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-016A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for REIT Law/annual reports for REIT properties as of **31 December 2023**.

The appraised property consists of **building only (ACC Tower)** located **within Cebu Business Park, Cebu City**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **TWO BILLION TWENTY FOUR MILLION THREE HUNDRED THIRTEEN THOUSAND (Php2,024,313,000) PESOS.**

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**  
**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

CMT:rvp

**CAI File No. 11-2023-1072-16A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-16A**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain property located within Cebu Business Park, Barangay Luz, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the property appraised is the site of **ACC Tower**, is located on the southeast side of Bohol Avenue, within Cebu Business Park, Barangay Luz, Cebu City.

The property is located approximately 120 meters northeast from the corner of Bohol and Luzon Avenue; 200 meters northeast from the corner of Luzon Avenue and Archbishop Reyes Avenue; and about 500 meters northeast from Gorordo Avenue.

Bohol Avenue is 18 meters wide, concreted and provided with concrete curbs and gutters, concrete sidewalks and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in an area where land development is for commercial use.

Generally, the streets in the neighborhood are designed to accommodate light to moderate vehicular and pedestrian traffic loads. Major thoroughfares are concreted, with widths ranging from 20 to 30 meters and lighted with streetlamps.



Some of the important improvements in the vicinity are:

WT-Pag-Ibig Tower Building  
Ayala FGU-Center  
Kepwealth Center Cebu  
Seda Hotel  
Cebu Holdings Center  
Park Tower 1  
Park Tower 2  
Pioneer Insurance Building

Ayala Center Mall serves the shopping and marketing needs of the residents in the area. This is adjacent to the subject property. Other community centers like the post office, public market, churches, hospitals/clinics, and private and public schools are likewise accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the site.

Public transportation connecting to various sections of Cebu City is available along Archbishop Reyes Avenue which is approximately 200 meters from the subject property. Streets lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE IMPROVEMENTS**

This is a twelve (12)-storey corporate center that consists of retail shops at the ground and second levels while call centers/business process outsourcing (BPO) offices at the upper floors. The building also includes parking spaces on the building podium level.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities and back up generator. The building is also equipped with four (4) elevators. Total leasable area is approximately 27,457.53 square meters.

#### **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php203,070,863 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.01157% (discount rate less growth).

Discounted Cash Flow Analysis (in PhP)															
ACC TOWER															
<b>STATISTICS</b>															
Estimated Leasable Area		27,457.53	sq.m.												
Vacancy Rate (incl. bad debts)															
Terminal Capitalization Rate		7.01157%													
Discount Rate		9.51157%													
Present Worth Factor				0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	
			Escalation	-	-	-	-	-	-	-	-	-	-	-	
<b>GROSS REVENUES</b>															
Office Spaces				-	-	-	-	-	-	-	-	-	-	-	
Retails				-	-	-	-	-	-	-	-	-	-	-	
Parking Slots				-	-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>															
Dues - Net				-	-	-	-	-	-	-	-	-	-	-	
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-	
<b>LESS:</b>															
Vacancy Rate (incl. bad debts)		% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	
<b>Effective Gross Revenues (EGR)</b>		206,138,545		<b>203,070,863</b>	<b>221,586,583</b>	<b>236,868,005</b>	<b>242,760,214</b>	<b>248,872,919</b>	<b>255,094,741</b>	<b>261,472,110</b>	<b>268,008,913</b>	<b>274,709,136</b>	<b>281,576,864</b>	<b>2,494,020,347</b>	<b>288,616,286</b>
<b>LESS: OPERATING EXPENSES</b>															
<b>Direct Operating Expenses</b>															
Outside services		10,458,000		10,782,198	11,116,446	11,461,056	11,816,349	12,111,757	12,414,551	12,724,915	13,043,038	13,369,114	119,297,425		
Repairs and maintenance		13,412,608		13,828,399	14,257,079	14,699,048	15,154,719	15,533,587	15,921,926	16,319,975	16,727,974	17,146,173	153,001,487		
Miscellaneous		772,660		796,612	821,307	846,768	873,018	894,843	917,214	940,144	963,648	987,739	8,813,954		
Land lease		17,173,328		18,721,765	19,961,701	20,351,044	20,745,369	21,264,003	21,795,603	22,340,493	22,899,006	23,471,481	208,723,792		
Building lease		-		-	-	-	-	-	-	-	-	-	-		
Taxes and licenses		11,418,637		11,456,101	11,711,512	11,936,757	12,070,356	12,372,115	12,681,418	12,998,453	13,323,414	13,656,500	123,625,262		
Management fees		15,750,346		16,973,351	18,109,853	18,435,582	19,002,340	19,477,399	19,964,334	20,463,442	20,975,028	21,499,404	190,651,078		
Insurance		-		-	-	-	-	-	-	-	-	-	-		
Others		2,022,490		2,085,187	2,149,828	2,216,472	2,285,183	2,342,312	2,400,870	2,460,892	2,522,414	2,585,475	23,071,123		
		71,008,067		74,643,613	78,127,726	79,946,728	81,947,333	83,996,016	86,095,916	88,248,314	90,454,522	92,715,885	827,184,121	95,033,782	
General Administrative Expenses		720,000		742,320	765,332	789,057	813,518	833,856	854,702	876,070	897,972	920,421	8,213,248	943,431	
Capital Expenditures		6,296,887		6,864,647	7,319,290	7,462,050	7,606,635	7,796,801	7,991,721	8,191,514	8,396,302	8,606,210	76,532,057	8,821,365	
Marketing Expenses	0.00%	of gross revenues		0	0	0	0	0	0	0	0	0	0	0	
<b>Total</b>				<b>78,024,954</b>	<b>82,250,580</b>	<b>86,212,348</b>	<b>88,197,835</b>	<b>90,367,486</b>	<b>92,626,673</b>	<b>94,942,340</b>	<b>97,315,898</b>	<b>99,748,796</b>	<b>102,242,516</b>	<b>911,929,426</b>	<b>104,798,579</b>
<b>NET INCOME</b>				<b>125,045,909</b>	<b>139,336,002</b>	<b>150,655,658</b>	<b>154,562,379</b>	<b>158,505,433</b>	<b>162,468,068</b>	<b>166,529,770</b>	<b>170,693,014</b>	<b>174,960,340</b>	<b>179,334,348</b>	<b>1,582,090,921</b>	<b>183,817,707</b>
<b>ADD: Reversion Value (Resale Value)</b>														2,621,634,055	
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0	
<b>Net Reversion Value</b>														<b>2,621,634,055</b>	
Present Worth Factor @	9.51157%	discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309	
<b>Present Worth of Net Income</b>				<b>114,185,112</b>	<b>116,183,201</b>	<b>114,711,096</b>	<b>107,464,191</b>	<b>100,633,859</b>	<b>94,190,692</b>	<b>88,160,054</b>	<b>82,515,532</b>	<b>77,232,406</b>	<b>72,287,537</b>	<b>967,563,679</b>	<b>1,056,749,419</b>
<b>Present Worth of Net Reversion Value</b>															
<b>Total Present Value of Net Income</b>					967,563,679										
<b>Present Worth of Net Reversion Value</b>					1,056,749,419										
<b>Total</b>					<b>2,024,313,098</b>										
<b>Market Value of Property (building and its facilities)</b>			PhP		<b>2,024,313,098</b>										
<b>Rounded to</b>			PhP		<b>2,024,313,000</b>										

On the basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,024,313,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **TECH TOWER – CEBU BUSINESS PARK**

Located in  
**Cebu Business Park**  
**Barangay Hipodromo, Cebu City**

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

## Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## CUERVO APPRAISERS, INC.

By:



### **LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-017A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2023**.

The appraised property is **building only (Tech Tower)**, located **on the corner of Sumilon and Camiguin Roads, within Cebu Business Park, Barangay Hipodromo, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2023** is reasonably represented in the amount of **ONE BILLION ELEVEN MILLION TWO HUNDRED TWENTY-TWO THOUSAND (Php1,011,222,000) PESOS.**

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

CMT:roa:moa

**CAI File No. 11-2023-1072-017A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-017A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of certain real property located within Cebu Business Park, Barangay Hipodromo, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is identified as the site of **TechTower–Cebu Business Park**, located **on the corner of Sumilon and Camiguin Roads, within Cebu Business Park, Barangay Hipodromo, Cebu City**.

The site of Tech Tower is bounded by Sumilon Road on the west, Camiguin Road on the south and east. It is located approximately 200-meters southeast from the intersection of Sumilon Road and Cardinal Rosales Avenue; 500-meters southeast from Gorordo Avenue; 550-meters southeast from Ayala Center Cebu; 3.9-kilometer northeast from Cebu City Hall; and about 14.0-kilometers east from Mactan – Cebu International Airport.

Sumilon and Camiguin Roads are 15 and 10 meters wide, respectively, both are concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The Cebu Business Park (CBP) is a 50-hectare masterplanned development. Cebu Holdings, an affiliate of Ayala Land, is currently responsible for the development of Cebu Business Park. Integrating business, residential, sports, recreation and leisure facilities, the centerpiece of the business park is the 9-hectare Ayala Center Cebu shopping mall, which draws 60,000 shoppers daily.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in Cebu Business Park are:

- Ayala Center Cebu
- WT Corporate Tower
- Seda Ayala Center Cebu (formerly Marriot Hotel)
- Lexmark Plaza
- Kepwealth Center Cebu (formerly Keppel Center)
- Pioneer House Cebu
- City Sports Club

The Ayala Center–Cebu and SM City–Cebu serve as the commercial and shopping centers in the area. These are accessible from the subject property by taxicab and motorcycle, locally known as habal-habal. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Cebu City as well as to other parts of Metro Cebu, is available along Gorordo Avenue which is about 500-meter from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE BUILDING**

##### **Tech Tower**

This is a twelve (12)-storey reinforced concrete-framed building; having reinforced concrete slab roof deck with parapet wall; tempered glass, cement plastered and EIFS finish concrete hollow block and reinforced concrete walls; fibered cement board on metal furring and concrete slab soffit ceilings; cement plastered partly ceramic tile finish concrete hollow block partitions and fibered cement board on steel stud partitions; glass panel on powder coated aluminum frame windows; and full glass, metal louver, glass on powder coated aluminum frame, fire rated, roll-up and laminated wood doors; ceramic and non-skid tiles, epoxy paint and plain cement finished concrete floors.

The building is painted and provided with electrical and plumbing facilities. Total floor area is 32,623.49 square meters and leasable floor area is 16,273 square meters.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php92,464,003 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitulation rate is estimated at 7.01157% (discount rate less growth

**Discounted Cash Flow Analysis (in PhP)**  
**TECH TOWER**

STATISTICS													
Estimated Leasable Area	16,273.00	sq.m.											
Vacancy Rate (incl. bad debts)	-	(ave.)											
Terminal Capitalization Rate	7.01157%												
Discount Rate	9.51157%												
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
		<b>Escalation</b>											<b>11</b>
<b>GROSS REVENUES</b>													
Office Spaces			-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>													
Dues - Net			-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>													
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>	90,981,765		<b>92,464,003</b>	<b>115,694,753</b>	<b>120,062,188</b>	<b>125,217,771</b>	<b>130,573,757</b>	<b>133,838,101</b>	<b>137,184,053</b>	<b>140,613,655</b>	<b>144,128,996</b>	<b>147,732,221</b>	<b>1,287,509,497</b>
<b>LESS: OPERATING EXPENSES</b>													
<b>Direct Operating Expenses</b>													
Outside services			6,328,320	6,524,498	6,726,757	6,935,287	7,150,281	7,329,038	7,512,264	7,700,070	7,892,572	8,089,886	72,188,973
Repairs and maintenance			6,756,226	6,965,669	7,181,604	7,404,234	7,633,765	7,824,609	8,020,225	8,220,730	8,426,249	8,636,905	77,070,216
Miscellaneous			763,872	787,552	811,966	837,137	863,088	884,666	906,782	929,452	952,688	976,505	8,713,708
Land lease			7,579,150	9,401,461	9,729,718	10,125,227	10,534,890	10,798,263	11,068,219	11,344,925	11,628,548	11,919,262	104,129,662
Building lease			-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			6,764,550	6,797,277	7,048,044	7,110,750	7,181,927	7,361,475	7,545,512	7,734,150	7,927,504	8,125,691	73,596,880
Management fees			7,120,911	8,859,993	9,142,862	9,485,249	9,895,312	10,142,695	10,396,262	10,656,169	10,922,573	11,195,638	97,817,664
Insurance			-	-	-	-	-	-	-	-	-	-	-
Others			2,019,250	2,081,846	2,146,384	2,212,921	2,281,522	2,338,560	2,397,024	2,456,950	2,518,373	2,581,333	23,034,163
			37,332,278	41,418,295	42,787,336	44,110,805	45,540,786	46,679,306	47,846,289	49,042,446	50,268,507	51,525,220	456,551,266
General Administrative Expenses			720,000	742,320	765,332	789,057	813,518	833,856	854,702	876,070	897,972	920,421	8,213,248
Capital Expenditures			2,779,022	3,447,202	3,567,563	3,712,583	3,862,793	3,959,363	4,058,347	4,159,806	4,263,801	4,370,396	38,180,876
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>40,831,300</b>	<b>45,607,817</b>	<b>47,120,231</b>	<b>48,612,445</b>	<b>50,217,097</b>	<b>51,472,525</b>	<b>52,759,338</b>	<b>54,078,321</b>	<b>55,430,279</b>	<b>56,816,036</b>	<b>502,945,390</b>
<b>NET INCOME</b>			<b>51,632,703</b>	<b>70,086,936</b>	<b>72,941,957</b>	<b>76,605,326</b>	<b>80,356,659</b>	<b>82,365,576</b>	<b>84,424,715</b>	<b>86,535,333</b>	<b>88,698,717</b>	<b>90,916,184</b>	<b>784,564,107</b>
<b>ADD: Reversion Value (Resale Value)</b>													1,329,075,929
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												0
<b>Net Reversion Value</b>													<b>1,329,075,929</b>
Present Worth Factor @	9.51157% discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309
<b>Present Worth of Net Income</b>			<b>47,148,171</b>	<b>58,440,922</b>	<b>55,538,916</b>	<b>53,262,181</b>	<b>51,017,814</b>	<b>47,751,356</b>	<b>44,694,035</b>	<b>41,832,462</b>	<b>39,154,104</b>	<b>36,647,230</b>	<b>475,487,192</b>
<b>Present Worth of Net Reversion Value</b>													<b>535,734,655</b>
<b>Total Present Value of Net Income</b>				<b>475,487,192</b>									
<b>Present Worth of Net Reversion Value</b>				<b>535,734,655</b>									
<b>Total</b>				<b>1,011,221,847</b>									
<b>Market Value of Property (building and its facilities)</b>		PhP		<b>1,011,221,847</b>									
<b>Rounded to</b>		PhP		<b>1,011,222,000</b>									





On the basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,011,222,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **One Ayala West Tower**

Located in  
**Barangay San Lorenzo  
Makati City, Metro Manila**

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



### LIBERTY SANTIAGO-AÑO, IPA, MRICS

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-018A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for REIT Law/ Annual reports for REIT properties use as of **31 December 2023**.

The appraised property consists of a **building (One Ayala West Tower)**, located on the **6<sup>th</sup> to 22<sup>nd</sup> floors of One Ayala West Tower, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably presented in the amount of **FIVE BILLION FIVE HUNDRED SEVENTY-EIGHT MILLION FIVE HUNDRED SIXTY-ONE THOUSAND (Php5,578,561,000) PESOS.**

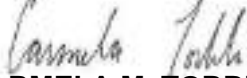
We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

CMT:moa

**CAI File No. 11-2023-1072-018A**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 11-2023-1072-018A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property consists of a **building**, located **on the 6<sup>th</sup> to 22<sup>nd</sup> floor of One Ayala West Tower, along Ayala Avenue corner Epifanio de los Santos Avenue (EDSA), within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila.**

One Ayala Avenue is bounded by Courtyard Drive on the southwest, East Street on the northwest, Ayala Avenue on the northeast, and Epifanio de los Santos Avenue (EDSA) on the southeast. It is located approximately 280 meters northeast from the intersection of Antonio Arnaiz Avenue and Epifanio de los Santos Avenue; 500 meters southeast from the intersection of Ayala and Makati Avenues; 800 meters southwest from the intersection of Buendia Avenue and Epifanio Delos Santos Avenue; and about 950 meters southeast from the intersection of Ayala Avenue and Paseo de Roxas.

Epifanio de los Santos Avenue (EDSA) is 50 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the MRT Line carriageway.

Ayala Avenue is 40 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the Ayala Flyover.

Courtyard Drive and East Street are both 20 meters wide, concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.



### III. NEIGHBORHOOD DATA

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 50 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- SM City Makati
- MRT – Ayala Station
- Glorietta
- Twin Towers
- Pacific Plaza Condominium
- The Ritz Towers
- Rustan’s Makati

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District. The shopping and marketing need of the residents in the area are available within the vicinity. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available in the subject building.

Public transportation connecting to various sections of Makati City, as well as to the other parts of Metro Manila, is available along Epifanio de los Santos Avenue (EDSA) where the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

### V. DESCRIPTION OF THE SUBJECT PROPERTY

Based on the list provided to us by the client, the appraised property is located on the 6<sup>th</sup> to 22<sup>nd</sup> of the One Ayala West Tower, containing a total floor area of 30,999.70 square meters, more or less.

This portion of the building is being leased. The leasable areas are technically identified as under:

West Tower	Multi-Tenant					Zoning
	Total					
L6	1,023.11	427.44	595.67	-	-	LZ
L7	1,881.57	395.42	595.75	377.67	512.73	LZ
L8	1,990.87	395.42	521.82	551.49	522.13	LZ
L9	1,990.87	395.42	521.82	551.49	522.13	LZ
L10	1,990.87	395.42	521.82	551.49	522.13	LZ
L11	1,990.87	395.42	521.82	551.49	522.13	LZ

West Tower	Multi-Tenant					Zoning
	Total					
L12	1,990.87	395.42	521.82	551.49	522.13	LZ
L14	1,990.87	395.42	521.82	551.49	522.13	LZ
L15	1,990.87	395.42	521.82	551.49	522.13	HZ
L16	1,929.94	395.42	478.78	533.60	522.13	HZ
L17	2,038.06	395.42	566.44	554.07	522.13	HZ
L18	2,038.06	395.42	566.44	554.07	522.13	HZ
L19	2,038.06	395.42	566.44	554.07	522.13	HZ
L20	2,038.06	395.42	566.44	554.07	522.13	HZ
L21	2,038.06	395.42	566.44	554.07	522.13	HZ
L22	2,038.06	395.42	566.44	554.07	522.13	HZ
<b>Total -</b>	<b>30,999.07</b>					

## VI. DESCRIPTION OF THE SUBJECT BUILDING

### One Ayala West Tower 1

The property is One Ayala West Tower, which is sixteen (16)-storey of reinforced concrete and steel frame on reinforced concrete foundation, with five (5) level podium and five (5)-level basement and roof deck, of reinforced concrete roof deck with waterproofing membrane; exposed concrete slab and gypsum board ceilings; curtain glass walls; cement plastered concrete hollow block walls and partitions; metal and steel louver doors; and plain cement concrete floors.

The common area is mostly constructed of gypsum board ceilings; cement plastered concrete hollow block walls and partitions; metal, steel and steel louver doors; ceramic tile finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms. The lobby and reception area is located on the ground floor having gypsum board ceilings; glass panel and cement plastered concrete hollow block walls; cement plastered concrete hollow block partitions; frameless glass and metal doors; and granite and ceramic tile floor finishes on concrete floors.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities, CCTV, firefighting equipment, and 24-hour security and is serviced by twelve (12) passenger and one (1) service elevators. The total gross floor area for West Tower is reportedly 41,082.96 square meters.

The building considered in this valuation is used as offices (BPO) from 6<sup>th</sup> to 22<sup>nd</sup> floors.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php524,971,978 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.51157% (discount rate less growth

**Discounted Cash Flow Analysis (in PhP)  
ONE AYALA WEST TOWER 1**

STATISTICS														
Estimated Leasable Area	30,999.07	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	7.51157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	
		Escalation	-	-	-	-	-	-	-	-	-	-	-	
<b>GROSS REVENUES</b>														
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	
Retails			-	-	-	-	-	-	-	-	-	-	-	
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	
<b>Effective Gross Revenues (EGR)</b>		253,178,578	<b>524,971,978</b>	<b>616,645,015</b>	<b>648,632,679</b>	<b>674,040,067</b>	<b>701,705,770</b>	<b>715,739,886</b>	<b>730,054,683</b>	<b>744,655,777</b>	<b>759,548,893</b>	<b>774,739,871</b>	<b>6,890,734,620</b>	<b>790,234,668</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services		12,944,729	13,346,016	13,759,743	14,186,295	14,626,070	14,918,591	15,216,963	15,521,302	15,831,728	16,148,363	146,499,800		
Repairs and maintenance		25,714,041	26,511,176	27,333,023	28,180,346	29,053,937	29,635,016	30,227,716	30,832,270	31,448,916	32,077,894	291,014,335		
Miscellaneous		1,079,736	1,113,208	1,147,717	1,183,296	1,219,979	1,244,378	1,269,266	1,294,651	1,320,544	1,346,955	12,219,731		
Land lease		50,818,189	59,603,075	62,305,877	64,206,853	66,270,808	67,596,225	68,948,149	70,327,112	71,733,654	73,168,327	654,978,270		
Building lease		-	-	-	-	-	-	-	-	-	-	-		
Taxes and licenses		47,081,568	47,184,293	47,924,712	48,219,910	48,468,290	49,437,655	50,426,408	51,434,937	52,463,635	53,512,908	496,154,317		
Management fees		42,362,168	48,037,007	49,046,318	50,049,158	51,634,176	52,666,860	53,720,197	54,794,601	55,890,493	57,008,303	515,209,280		
Insurance		2,385,131	2,459,070	2,535,301	2,613,895	2,694,926	2,748,825	2,803,801	2,859,877	2,917,075	2,975,416	26,993,316		
Others		2,268,554	2,338,879	2,388,927	2,440,525	2,493,723	2,543,598	2,594,470	2,646,359	2,699,286	2,753,272	25,167,593		
		184,654,115	200,592,725	206,441,617	211,080,279	216,461,909	220,791,147	225,206,970	229,711,109	234,305,332	238,991,438	2,168,236,643	243,771,267	
General Administrative Expenses		764,709	788,415	812,856	838,054	864,034	881,315	898,941	916,920	935,258	953,963	8,654,464	973,043	
Capital Expenditures		13,859,506	16,255,384	16,992,512	17,510,960	18,073,857	18,435,334	18,804,041	19,180,121	19,563,724	19,954,998	178,630,437	20,354,098	
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total</b>		<b>199,278,330</b>	<b>217,636,524</b>	<b>224,246,985</b>	<b>229,429,293</b>	<b>235,399,800</b>	<b>240,107,796</b>	<b>244,909,952</b>	<b>249,808,151</b>	<b>254,804,314</b>	<b>259,900,400</b>	<b>2,355,521,544</b>	<b>265,098,408</b>	
<b>NET INCOME</b>		<b>325,693,648</b>	<b>399,008,491</b>	<b>424,385,694</b>	<b>444,610,774</b>	<b>466,305,971</b>	<b>475,632,090</b>	<b>485,144,732</b>	<b>494,847,626</b>	<b>504,744,579</b>	<b>514,839,471</b>	<b>4,535,213,075</b>	<b>525,136,260</b>	
<b>ADD: Reversion Value (Resale Value)</b>													6,991,031,968	
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												0	
<b>Net Reversion Value</b>													<b>6,991,031,968</b>	
Present Worth Factor @	9.51157% discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309	
<b>Present Worth of Net Income</b>		<b>297,405,697</b>	<b>332,707,145</b>	<b>323,132,559</b>	<b>309,129,151</b>	<b>296,054,012</b>	<b>275,747,203</b>	<b>256,833,271</b>	<b>239,216,675</b>	<b>222,808,429</b>	<b>207,525,650</b>	<b>2,760,559,792</b>		
<b>Present Worth of Net Reversion Value</b>													<b>2,818,001,603</b>	
<b>Total Present Value of Net Income</b>													<b>2,760,559,792</b>	
<b>Present Worth of Net Reversion Value</b>													<b>2,818,001,603</b>	
<b>Total</b>													<b>5,578,561,395</b>	
<b>Market Value of Property (building and its facilities)</b>			PhP	5,578,561,395										
<b>Rounded to</b>			PhP	5,578,561,000										



On the Basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php5,578,561,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **One Ayala East Tower**

Located in  
**Barangay San Lorenzo**  
**Makati City, Metro Manila**

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 05 February 2024. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data, and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form, and context in which it may appear.



## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices to undertake the work required. has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### **CUERVO APPRAISERS, INC.**

**By:**



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

05 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-019A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for REIT Law/ Annual reports for REIT properties use as of **31 December 2023**.

The appraised property consists of a **building (One Ayala East Tower)**, located on the **6<sup>th</sup> to 29<sup>th</sup> floors of One Ayala East Tower, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably presented in the amount of **SEVEN BILLION TWO HUNDRED SEVENTY-FIVE MILLION SIXTEEN THOUSAND (Php7,275,016,000) PESOS.**

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2613561

16 January 2024

City of Bacoor

CMT:moa

CAI File No. 11-2023-1072-019A

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 11-2023-1072-019A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is located **on the 6<sup>th</sup> to 29<sup>th</sup> floor of One Ayala East Tower, along Ayala Avenue corner Epifanio de los Santos Avenue (EDSA), Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila.**

One Ayala is bounded by Courtyard Drive on the southwest, East Street on the northwest, Ayala Avenue on the northeast, and Epifanio de los Santos Avenue (EDSA) on the southeast. It is located approximately 280 meters northeast from the intersection of Antonio Arnaiz Avenue and Epifanio de los Santos Avenue; 500 meters southeast from the intersection of Ayala and Makati Avenues; 800 meters southwest from the intersection of Buendia Avenue and Epifanio de los Santos Avenue; and about 950 meters southeast from the intersection of Ayala Avenue and Paseo de Roxas.

Epifanio de los Santos Avenue (EDSA) is 50 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the MRT Line carriageway.

Ayala Avenue is 40 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the Ayala Flyover.

Courtyard Drive and East Street are both 20 meters wide, concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### III. NEIGHBORHOOD DATA

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 50 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

SM City Makati  
MRT – Ayala Station  
Glorietta  
Twin Towers  
Pacific Plaza Condominium  
The Ritz Towers  
Rustan’s Makati

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District. The shopping and marketing needs of the residents in the area are available in the vicinity. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the site.

### IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available within the subject building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio de los Santos Avenue (EDSA) where the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

### V. DESCRIPTION OF THE SUBJECT PROPERTY

The property is located at the 6<sup>th</sup> to 22<sup>nd</sup> of the One Ayala East Tower, containing a total floor area of 39,996.23 square meters, more or less.

This portion of the building is being leased. The leasable areas are technically identified as follows:

East Tower	Multi-Tenant					Zoning
	Total					
L6	1,727.26	490.46	354.58	430.52	451.70	LZ
L7	1,603.83	490.53	354.58	430.52	328.20	LZ
L8	1,691.64	464.50	354.58	430.52	442.04	LZ
L9	1,691.64	464.50	354.58	430.52	442.04	LZ
L10	1,691.64	464.50	354.58	430.52	442.04	LZ
L11	1,691.64	464.50	354.58	430.52	442.04	LZ
L12	1,691.64	464.50	354.58	430.52	442.04	LZ
L14	1,691.64	464.50	354.58	430.52	442.04	LZ

East Tower	Multi-Tenant					Zoning
	Total					
L15	1,691.64	464.50	354.58	430.52	442.04	MZ
L16	1,657.62	414.53	370.53	430.52	442.04	MZ
L17	1,744.52	414.53	457.43	430.52	442.04	MZ
L18	1,744.52	414.53	457.43	430.52	442.04	MZ
L19	1,744.52	414.53	457.43	430.52	442.04	MZ
L20	1,744.52	414.53	457.43	430.52	442.04	MZ
L21	1,744.52	414.53	457.43	430.52	442.04	MZ
L22	1,744.52	414.53	457.43	430.52	442.04	MZ
L23	1,744.52	414.53	457.43	430.52	442.04	HZ
L24	1,752.92	521.21	332.93	430.52	468.26	HZ
L25	1,840.30	608.60	332.93	430.52	468.26	HZ
L26	1,840.30	608.60	332.93	430.52	468.26	HZ
L27	1,840.30	608.60	332.93	430.52	468.26	HZ
L28	1,840.30	608.60	332.93	430.52	468.26	HZ
L29	1,840.30	608.60	332.93	430.52	468.26	HZ
<b>Total -</b>	<b>39,996.23</b>					

## VI. DESCRIPTION OF THE SUBJECT BUILDING

### One Ayala East Tower

This is twenty-three (23)-level of reinforced concrete and steel frame on reinforced concrete foundation, with five (5) level podium and five (5)-level basement, and roof deck of reinforced concrete roof deck with waterproofing membrane; exposed concrete slab and gypsum board ceilings; curtain glass walls; cement plastered concrete hollow block walls and partitions; metal and steel louver doors; and plain cement concrete floors.

The common area is mostly constructed of gypsum bord ceilings; cement plastered concrete hollow block walls and partitions; metal, steel and steel louver doors; ceramic tile finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms. The lobby and reception area are located on the ground floor having gypsum board ceilings; glass panel and cement plastered concrete hollow block walls; cement plastered concrete hollow block partitions; frameless glass and metal doors; and granite and ceramic tile floor finishes on concrete floors.

The tower features office units (BPO) from the 6th to the 29th floors.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities, CCTV, firefighting equipment, and 24-hour security and is serviced by eighteen (18) passenger elevators, and one (1) service elevator.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.



## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php731,713,388 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitulation rate is estimated at 7.51157% (discount rate less growth

Discounted Cash Flow Analysis (in PhP) ONE AYALA EAST TOWER 2														
<b>STATISTICS</b>														
Estimated Leasable Area	39,996.00	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	7.51157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		353,548,071	<b>731,713,388</b>	<b>816,305,607</b>	<b>837,210,722</b>	<b>862,044,431</b>	<b>883,103,268</b>	<b>900,765,334</b>	<b>918,780,640</b>	<b>937,156,253</b>	<b>955,899,378</b>	<b>975,017,366</b>	<b>8,817,996,388</b>	<b>994,517,713</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			12,961,373	13,363,176	13,777,434	14,204,535	14,644,875	14,937,773	15,236,528	15,541,259	15,852,084	16,169,126	146,688,165	
Repairs and maintenance			31,245,460	32,214,059	33,212,694	34,242,288	35,303,799	36,009,875	36,730,072	37,464,674	38,213,967	38,978,247	353,615,124	
Miscellaneous			1,085,016	1,118,651	1,153,330	1,189,083	1,225,944	1,250,463	1,275,473	1,300,982	1,327,002	1,353,542	12,279,486	
Land lease			71,820,697	79,756,781	81,143,577	82,875,418	84,077,911	85,759,469	87,474,659	89,224,152	91,008,635	92,828,807	845,970,106	
Building lease			-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses			48,442,243	48,718,870	49,400,474	49,605,852	49,842,167	50,839,010	51,855,790	52,892,906	53,950,764	55,029,779	510,577,855	
Management fees			58,997,071	64,623,120	65,374,333	66,406,603	68,604,092	69,976,174	71,375,697	72,803,211	74,259,275	75,744,461	688,164,036	
Insurance			3,454,355	3,561,440	3,671,845	3,785,672	3,903,028	3,981,088	4,060,710	4,141,924	4,224,763	4,309,258	39,094,084	
Others			2,520,743	2,598,886	2,646,900	2,696,403	2,747,440	2,802,389	2,858,437	2,915,605	2,973,918	3,033,396	27,794,116	
			230,526,948	245,954,983	250,380,587	255,005,854	260,349,256	265,556,241	270,867,366	276,284,713	281,810,408	287,446,616	2,624,182,972	293,195,548
General Administrative Expenses			764,709	788,415	812,856	838,054	864,034	881,315	898,941	916,920	935,258	953,963	8,654,464	973,043
Capital Expenditures			19,587,463	21,751,849	22,130,066	22,602,387	22,930,339	23,388,946	23,856,725	24,333,860	24,820,537	25,316,947	230,719,120	25,823,286
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>250,879,120</b>	<b>268,495,247</b>	<b>273,323,509</b>	<b>278,446,295</b>	<b>284,143,629</b>	<b>289,826,502</b>	<b>295,623,032</b>	<b>301,535,493</b>	<b>307,566,202</b>	<b>313,717,527</b>	<b>2,863,556,555</b>	<b>319,991,877</b>
<b>NET INCOME</b>			<b>480,834,269</b>	<b>547,810,360</b>	<b>563,887,213</b>	<b>583,598,136</b>	<b>598,959,639</b>	<b>610,938,832</b>	<b>623,157,608</b>	<b>635,620,760</b>	<b>648,333,176</b>	<b>661,299,839</b>	<b>5,954,439,833</b>	<b>674,525,836</b>
<b>ADD: Reversion Value (Resale Value)</b>														8,979,824,936
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														<b>8,979,824,936</b>
Present Worth Factor @	9.51157% discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>439,071,661</b>	<b>456,783,314</b>	<b>429,350,755</b>	<b>405,764,338</b>	<b>380,274,787</b>	<b>354,191,144</b>	<b>329,896,619</b>	<b>307,268,494</b>	<b>286,192,467</b>	<b>266,562,078</b>	<b>3,655,355,658</b>	
<b>Present Worth of Net Reversion Value</b>														<b>3,619,660,328</b>
<b>Total Present Value of Net Income</b>														<b>3,655,355,658</b>
<b>Present Worth of Net Reversion Value</b>														<b>3,619,660,328</b>
<b>Total</b>														<b>7,275,015,986</b>
<b>Market Value of Property (building and its facilities)</b>		PhP												<b>7,275,015,986</b>
<b>Rounded to</b>		PhP												<b>7,275,016,000</b>

On the Basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php7,275,016,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the

**Glorietta 1 BPO**

Located in  
**Barangay San Lorenzo**  
**Makati City, Metro Manila**

19 February 2024

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2024. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### **CUERVO APPRAISERS, INC.**

**By:**



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

19 February 2024

**AREIT FUND MANAGERS, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 11-2023-1072-020A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate reference use as of **31 December 2023**.

The appraised property consists of a **building (Glorietta 1 BPO)**, located at the **5<sup>th</sup> to 10<sup>th</sup> floors of Glorietta 1, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Terms used herein are defined as follows:

**Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

**Desk Review** is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes in the nature of a fractional appraisal and is rendered as such.

A detailed appraisal of the property made as of 31 January 2022 under CAI File No. 01-2022-0016-015A was revalued in accordance with the prevailing market prices as of 31 December 2023. Property changes such as additions and deletions were not considered. No physical inspection was conducted this time; thus, this undertaking partakes in a desk review or a "table appraisal" and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow,

Extent, character, and utility of the property, and

Lease / Rental rates of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably presented in the amount of **FOUR BILLION TEN MILLION SIX HUNDRED NINE THOUSAND (Php4,010,609,000) PESOS.**


We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
Department Manager - Real Estate  
PRC Registration Number: 0000087  
Valid Until: 12/06/2023  
PTR No. 3430843  
30 January 2023  
Dasmarinas City

EPL:mfm

CAI File No. 11-2023-1072-020A



***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 11-2023-1072-020A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the previous appraisal report under CAI File No. 02-2023-0168-003A, as of 16 February 2023, the appraised property consists of **a building occupied by Glorietta 1 BPO**, located **at the 5<sup>th</sup> to 10<sup>th</sup> floor of Glorietta 1, along Ayala Avenue, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Glorietta Commercial Complex is bounded by East Street on the southeast, Palm Drive on the southwest, Parkway Drive on the northwest and Ayala Avenue on the located on the north corner of Ayala Avenue on the northeast. It is located approximately 240 meters northwest from Epifanio delos Santos Avenue; 250 meters northeast from Palm Drive; 400 meters northeast from Arnaiz Avenue; 400 meters southeast from Makati Avenue; and about 800 meters southeast from Paseo de Roxas.

Palm Drive, Parkway Drive and East Street are 20 meters wide while Ayala Avenue is 30 meters wide, concreted with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### III. NEIGHBORHOOD DATA

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District in Makati, Metro Manila.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Rustan's Makati  
Ritz Tower  
Pacific Plaza Condominium  
The Makati Tuscanny  
Discovery Primea

SM Makati, Landmark and Greenbelt serve as the shopping, marketing, and commercial needs of the residents in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### **III. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio delos Santos Avenue (EDSA) which is approximately 240 meters from the subject condominium building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metro Manila Development Authority (MMDA).

### **V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING**

The property consists of six (6) levels occupied by Glorietta 1 BPO, located on the 5<sup>th</sup> to 10<sup>th</sup> of Glorietta 1, containing a total floor area of 18,769.87 square meters, more or less.

Glorietta 1 BPO is of reinforced concrete frame on foundation, plaster cement finished concrete hollow block walls and partitions, exposed soffit slab, gypsum board on C-stud frame and acoustic fiber board on T-runner ceilings; cement plastered concrete hollow block walls; fiber cement board, laminated gypsum board, and glass panel partitions; glass on powder coated frame windows; PVC partly with glass, wood panel, metal and glass on aluminum frame doors; and ceramic tile, carpet tile, and epoxy paint finished concrete floors.

This is painted and provided with electrical, firefighting equipment, and plumbing facilities. Based on the list provided by the client, the gross leasable area is approximately 18,769.87 square meters, allocated on the next page:

Floor Level	Area (sq.m.)
5 <sup>th</sup>	3,016.40
6 <sup>th</sup>	3,159.37
7 <sup>th</sup>	3,150.63
8 <sup>th</sup>	3,143.47
9 <sup>th</sup>	3,149.70
10 <sup>th</sup>	3,150.30
<b>Total - 18,769.87 sq.m.</b>	

Estimated remaining economic life is 30 years.

## **VI. DESCRIPTION OF THE SUBJECT BUILDING**

### **Glorietta**

The vibrant convergence points of the Makati Central Business District. Strategically located near prestigious office addresses, premier hotels, and main transport terminals, Glorietta occupies a central space in the lives of those in the business district. With its wide selection of shopping, dining, and entertainment offerings organized into strategic zones, Glorietta caters to the various needs of office workers, students, friends, and families.

## **VII. VALUATION**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### **Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

### **Discounted Cash Flow (DCF) Analysis**

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation. DCF analysis involves the projection of a series cash flows either to an operating property, a development property. or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 10-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. Cash flow projection period is 10 years.
2. The average growth rate of the effective gross revenue over 10-year projection is 3% per year;
3. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
4. The average capital expenditures in 10-year projection is 5.78% per year of effective gross revenue;
5. Discount rate is estimated at 9.51157% using weighted average cost of capital(WACC); and
6. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

**Discounted Cash Flow Analysis (in PhP)**  
**GLORIETTA 1**

STATISTICS														
Estimated Leasable Area		18,769.80	sq.m.											
Vacancy Rate (incl. bad debts)		-	(ave.)											
Terminal Capitalization Rate		6.51157%												
Discount Rate		9.51157%												
Present Worth Factor				0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
			Escalation	-	-	-	-	-	-	-	-	-	-	-
<b>GROSS REVENUES</b>														
Office Spaces				-	-	-	-	-	-	-	-	-	-	-
Retails				-	-	-	-	-	-	-	-	-	-	-
Parking Slots				-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net				-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)		% of gross revenues		-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		<b>175,398,686</b>		<b>369,120,450</b>	<b>387,470,362</b>	<b>406,732,908</b>	<b>426,956,290</b>	<b>405,855,151</b>	<b>418,030,805</b>	<b>430,571,729</b>	<b>443,488,881</b>	<b>456,793,548</b>	<b>470,497,354</b>	<b>4,215,517,478</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services				8,379,040	8,640,151	8,907,996	9,184,144	9,468,852	9,752,918	10,045,505	10,346,870	10,657,276	10,976,995	96,359,747
Repairs and maintenance				7,349,865	7,588,793	7,824,045	8,066,591	8,316,655	8,566,155	8,823,139	9,087,833	9,360,468	9,641,282	84,624,826
Miscellaneous				317,220	327,122	337,263	347,718	358,497	369,252	380,329	391,739	403,492	415,596	3,648,228
Land lease				29,937,841	31,434,792	33,006,517	34,656,814	31,733,035	32,685,026	33,665,577	34,675,545	35,715,811	36,787,285	334,298,242
Building lease				-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses				16,866,857	17,006,251	17,177,145	17,356,287	17,544,099	18,070,422	18,612,535	19,170,911	19,746,038	20,338,419	181,888,964
Management fees				28,583,280	28,721,746	28,866,962	29,020,059	34,208,190	35,234,436	36,291,469	37,380,213	38,501,619	39,656,668	336,464,642
Insurance				1,139,722	1,175,054	1,211,481	1,249,036	1,287,757	1,326,389	1,366,181	1,407,166	1,449,381	1,492,863	13,105,031
Others				2,492,611	2,569,882	2,649,549	2,731,685	2,816,367	2,900,858	2,987,884	3,077,520	3,169,846	3,264,941	28,661,143
				95,066,436	97,463,791	99,980,957	102,612,333	105,733,452	108,905,456	112,172,619	115,537,798	119,003,932	122,574,050	1,079,050,823
														126,251,271
General Administrative Expenses				1,607,021	1,655,232	1,704,889	1,756,035	1,808,716	1,862,978	1,918,867	1,976,433	2,035,726	2,096,798	18,422,696
Capital Expenditures				8,164,866	8,573,125	9,001,777	9,451,858	8,654,464	8,914,098	9,181,521	9,456,967	9,740,676	10,032,896	91,172,248
Marketing Expenses		0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>				<b>104,838,323</b>	<b>107,692,148</b>	<b>110,687,623</b>	<b>113,820,226</b>	<b>116,196,633</b>	<b>119,682,532</b>	<b>123,273,008</b>	<b>126,971,198</b>	<b>130,780,334</b>	<b>134,703,744</b>	<b>1,188,645,767</b>
<b>NET INCOME</b>				<b>264,282,127</b>	<b>279,778,214</b>	<b>296,045,285</b>	<b>313,136,064</b>	<b>289,658,518</b>	<b>298,348,274</b>	<b>307,298,722</b>	<b>316,517,683</b>	<b>326,013,214</b>	<b>335,793,610</b>	<b>3,026,871,711</b>
<b>ADD: Reversion Value (Resale Value)</b>														5,311,582,592
<b>LESS: Marketing Cost</b>		0.00% of Resale Value												0
<b>Net Reversion Value</b>														5,311,582,592
Present Worth Factor @	9.51157%	discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309
<b>Present Worth of Net Income</b>				<b>241,328,042</b>	<b>233,288,797</b>	<b>225,412,571</b>	<b>217,717,364</b>	<b>183,901,926</b>	<b>172,967,097</b>	<b>162,682,455</b>	<b>153,009,338</b>	<b>143,911,386</b>	<b>135,354,399</b>	<b>1,869,573,376</b>
<b>Present Worth of Net Reversion Value</b>														2,141,035,591
<b>Total Present Value of Net Income</b>														1,869,573,376
<b>Present Worth of Net Reversion Value</b>														2,141,035,591
<b>Total</b>														4,010,608,967
<b>Market Value of Property (building and its facilities)</b>														PhP 4,010,608,967
<b>Rounded to</b>														PhP 4,010,609,000

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **Glorietta 2 BPO**

Located in  
**Barangay San Lorenzo  
Makati City, Metro Manila**

19 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2024. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.



## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### **CUERVO APPRAISERS, INC.**

**By:**



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

19 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-021A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for REIT law / Annual reports for REIT properties use as of **31 December 2023**.

The appraised property consists of a **building of Glorietta 2 BPO**, located **on the 5<sup>th</sup> to 11<sup>th</sup> floors of Glorietta 2, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market conditions, and considered the –

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease / Rent rates of the property,

Extent, character, and utility of the property, and

Highest and best use of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably presented in the amount of **FOUR BILLION THREE HUNDRED SEVENTY-EIGHT MILLION EIGHTY-THREE THOUSAND (Php4,378,083,000) PESOS.**

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Department Manager - Real Estate**

PRC Registration Number: 0000087

Valid Until: 12/06/2025

IPREA Membership No. 847

PTR No. 3724602

16 January 2024

Dasmariñas City

EPL:moa

CAI File No. 11-2023-1072-021A

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 11-2023-1072-021A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

The appraised property consists of **building only**, located **on the 5<sup>th</sup> to 11<sup>th</sup> floors of Glorietta 2, along Ayala Avenue, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Glorietta Commercial Complex is bounded by East Street on the southeast, Palm Drive on the southwest, Parkway Drive on the northwest and Ayala Avenue on the north corner of Ayala Avenue on the northeast. It is located approximately 240 meters northwest from Epifanio de los Santos Avenue; 250 meters northeast from Palm Drive; 400 meters northeast from Arnaiz Avenue; 400 meters southeast from Makati Avenue; and about 800 meters southeast from Paseo de Roxas.

Palm Drive, Parkway Drive and East Street are 20 meters wide while Ayala Avenue is 30 meters wide, concreted with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### III. NEIGHBORHOOD DATA

The Ayala Center is a major commercial development operated by Ayala Land located in the Makati Central Business District in Makati, Metro Manila.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Rustan's Makati  
Ritz Tower  
Pacific Plaza Condominium  
The Makati Tuscanny  
Discovery Primea

SM Makati, Landmark and Greenbelt serve the shopping, marketing and commercial needs of the residents in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING**

The property is a building located on the 5<sup>th</sup> to 11<sup>th</sup> floors of Glorietta 2 - BPO, containing a total floor area of 21,256.23 square meters, more or less.

This portion of the building is being leased by BPOs, with interior finishes technically described as follows:

##### **5<sup>th</sup> Floor**

Interior finishes consist of exposed soffit slab ceiling, cement plastered concrete hollow block walls; double walled gypsum board on C-stud frame with decorative wood plank and brick tile finished partitions; fixed glass and glass on powder coated frame windows; PVC panel, glass panel and glass on frameless doors; and partly ceramic tile and mainly carpet tile finished concrete floor.

##### **6<sup>th</sup> to 10<sup>th</sup> Floors**

Interior finishes consist of gypsum board on C-stud frame and acoustic fiber board on T-runner ceilings; cement plastered concrete hollow block walls; double walled gypsum board on C-stud frame and fixed glass on wood and aluminum frame partitions; fixed glass and glass on powder coated frame windows; wood panel and frameless glass doors; and ceramic tile, laminated vinyl tile and partly carpet tile finished concrete floor.

**11<sup>th</sup> Floor**

Interior finishes consist of gypsum board on C-stud frame and acoustic fiber board on T-runner ceiling; cement plastered concrete hollow block walls; double walled gypsum board on c-stud frame and fixed glass on wood and aluminum frame partitions; fixed glass and glass on powder coated frame windows; wood panel and frameless glass doors; and ceramic tile, laminated vinyl tile and partly carpet tile finished concrete floor.

These units are painted and provided with electrical lighting, firefighting, and plumbing facilities. Total floor area is approximately 21,256.23 square meters, allocated as follows:

<b>Floor Level</b>	<b>Area (sq.m.)</b>
5 <sup>th</sup>	3,037.23
6 <sup>th</sup>	3,042.00
7 <sup>th</sup>	3,040.00
8 <sup>th</sup>	3,038.00
9 <sup>th</sup>	3,037.00
10 <sup>th</sup>	3,033.00
11 <sup>th</sup>	<u>3,029.00</u>
	<b>Total - 21,256.23 sq.m.</b>

**VI. DESCRIPTION OF THE BUILDING****Glorietta 2**

The vibrant convergence points of the Makati Central Business District. Strategically located near prestigious office addresses, premier hotels, and main transport terminals, Glorietta 2 occupies a central space in the lives of those in the business district. With its wide selection of shopping, dining, and entertainment offerings organized into strategic zones, Glorietta caters to the various needs of office workers, students, friends, and families.

**VII. VALUATION**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

**Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

## Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series of cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value, adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. Cash flow projection period is 10 years.
2. The average growth rate of the effective gross revenue over 10-year projection is 3% per year;
3. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
4. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
5. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.



Discounted Cash Flow Analysis (in PhP)														
GLORIETTA 2														
<b>STATISTICS</b>														
Estimated Leasable Area	21,256.23	sq.m.												
	Office Space		sq.m.											
	Retails		sq.m.											
			sq.m.											
	Parking Slots		slots											
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	6.51157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
	<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>	
<b>GROSS REVENUES</b>	Escalation	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces		-	-	-	-	-	-	-	-	-	-	-	-	-
Retails		-	-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		136,380,258	303,423,210	365,934,679	422,472,450	443,620,684	442,196,005	455,461,886	469,125,742	483,199,514	497,695,500	512,626,365	4,395,756,035	528,005,156
Escalation of EGR			122.48%	20.60%	15.45%	5.01%	-0.32%	3.00%	3.00%	3.00%	3.00%	3.00%		3%
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services		7,002,550	7,472,527	7,704,176	7,943,005	8,189,238	8,434,915	8,687,963	8,948,602	9,217,060	9,493,571	83,093,606		
Repairs and maintenance		7,159,560	7,381,506	7,610,333	7,846,253	8,089,487	8,332,172	8,582,137	8,839,601	9,104,789	9,377,933	82,323,772		
Miscellaneous		322,512	332,510	342,818	353,445	364,402	375,334	386,594	398,192	410,137	422,442	3,708,385		
Land lease		26,215,748	31,530,247	37,310,657	39,176,190	38,425,742	39,578,514	40,765,869	41,988,846	43,248,511	44,545,966	382,786,289		
Building lease		-	-	-	-	-	-	-	-	-	-	-		
Taxes and licenses		10,783,354	10,813,917	11,041,286	11,362,763	11,489,042	11,833,714	12,188,725	12,554,387	12,931,018	13,318,949	118,317,156		
Management fees		25,557,340	29,091,524	32,349,563	32,800,408	33,285,167	34,283,722	35,312,234	36,371,601	37,462,749	38,586,631	335,100,937		
Insurance		918,693	947,172	976,534	1,006,807	1,038,018	1,069,158	1,101,233	1,134,270	1,168,298	1,203,347	10,563,531		
Others		2,521,493	2,599,659	2,680,249	2,763,336	2,849,000	2,934,470	3,022,504	3,113,179	3,206,574	3,302,772	28,993,235		
		80,481,249	90,169,063	100,015,615	103,252,207	103,730,096	106,841,999	110,047,259	113,348,677	116,749,137	120,251,611	1,044,886,912	123,859,159	
General Administrative Expenses		706,333	727,523	749,348	771,829	794,984	818,833	843,398	868,700	894,761	921,604	8,097,313	949,252	
Capital Expenditures		7,149,749	8,599,158	10,175,634	10,684,415	10,479,748	10,794,140	11,117,964	11,451,503	11,795,048	12,148,900	104,396,261	12,513,367	
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>88,337,331</b>	<b>99,495,744</b>	<b>110,940,597</b>	<b>114,708,452</b>	<b>115,004,827</b>	<b>118,454,972</b>	<b>122,008,621</b>	<b>125,668,880</b>	<b>129,438,946</b>	<b>133,322,115</b>	<b>1,157,380,486</b>	<b>137,321,778</b>	
<b>NET INCOME</b>		<b>215,085,878</b>	<b>266,438,935</b>	<b>311,531,853</b>	<b>328,912,233</b>	<b>327,191,178</b>	<b>337,006,913</b>	<b>347,117,121</b>	<b>357,530,634</b>	<b>368,256,553</b>	<b>379,304,250</b>	<b>3,238,375,549</b>	<b>390,683,378</b>	
ADD: Reversion Value (Resale Value)													5,999,833,797	
LESS: Marketing Cost	0.00% of Resale Value												0	
<b>Net Reversion Value</b>													<b>5,999,833,797</b>	
Present Worth Factor @	9.51157% discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>		<b>196,404,707</b>	<b>222,166,042</b>	<b>237,204,237</b>	<b>228,686,225</b>	<b>207,731,118</b>	<b>195,379,403</b>	<b>183,762,122</b>	<b>172,835,606</b>	<b>162,558,782</b>	<b>152,893,019</b>	<b>1,959,621,263</b>		
<b>Present Worth of Net Reversion Value</b>													<b>2,418,461,443</b>	
<b>Total Present Value of Net Income</b>													<b>1,959,621,263</b>	
<b>Present Worth of Net Reversion Value</b>													<b>2,418,461,443</b>	
	<b>Market Value of Property</b>												<b>4,378,082,706</b>	
	<b>Rounded to PhP</b>												<b>4,378,083,000</b>	

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **Glorietta 1 and 2 Mall**

Located in  
**Ayala Center**  
**Makati City, Metro Manila**

12 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 12 February 2024. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form, and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu, and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

12 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-002A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraisal of certain real property exhibited to us by **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for REIT law / Annual reports for REIT properties use as of **31 December 2023**.

The appraised property consists of **building only of the Glorietta 1 and 2 Mall**, located in **Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow,

Lease/Rental rates of the property, and

Extent, character, and utility of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **THREE BILLION FOUR HUNDRED SEVENTY-FOUR MILLION ONE HUNDRED FORTY-NINE THOUSAND (Php3,474,149,000) PESOS.**


We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Department Manager - Real Estate**  
PRC Registration Number: 0000087  
Valid Until: 12/06/2025  
IPREA Membership No. 847  
PTR No. 3724602  
16 January 2024  
Dasmariñas City

EPL:moa

CAI File No. 11-2023-1072-022A

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-022A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of certain real property located in Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

The appraised property is identified as the site of **Glorietta 1 & 2 Mall**, located in **Glorietta Shopping Mall Complex, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The site of Glorietta Shopping Mall Complex is bounded by Office Drive on the northeast; Courtyard Drive and East Street on the southeast; Palm Drive on the southwest; and West Street and Parkway Drive on the northwest. This complex is located approximately 120 meters northeast from Antonio S. Arnaiz Avenue; 300 meters southwest from Ayala Avenue; and about 600 meters northwest from the intersection of Epifanio de los Santos Avenue (EDSA) and Ayala Avenue.

Office Drive, Courtyard Drive, East Street, Palm Drive, West Street and Parkway Drive are 15 meters wide, concrete-paved with asphalt overlay and provided with concrete curbs and gutters, and underground drainage.

### III. NEIGHBORHOOD DATA

The property is located in The Ayala Center, a major commercial development operated by Ayala Land located in the Makati Central Business District in Makati.



Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 10 to 50 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

- SM City - Makati
- Pacific Plaza Condominium
- The Landmark
- Greenbelt
- Pacific Plaza Condominium
- Ritz Towers
- Makati Shangri-La

Ayala Center serves the shopping needs of the residents in the area. This is accessible from Ayala Avenue by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Makati City, as well as to the other parts of Metro Manila is available along Ayala Avenue which is 120 meters from the shopping mall complex. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE BUILDINGS**

##### **Glorietta Shopping Malls (Glorietta 1 to 5)**

Glorietta 1,2, 3 and 5 are three (3)-storey integrated malls, except for Glorietta 4 which is five (5)-storey mall, of reinforced concrete-framed building with basement parking and roof deck, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing with water proofing membrane; fibered cement board, steel panel, aluminum panel and acoustic board on aluminum T-runner ceilings; cement plastered concrete hollow block partly with granite tile finish partly gypsum board with aluminum composite panel cladding interior walls; cement plastered concrete hollow block and aluminum composite panel exterior walls; cement plastered concrete hollow block, fixed tempered glass and glass on aluminum frame partitions; glass on aluminum powder coated and steel louver windows; steel plate, wood panel. plywood flush, metal flush, frameless glass and glass on aluminum powder coated doors; granite, glazed, vinyl and ceramic tiles, and plain cement on epoxy paint finished concrete floors.

The building is painted and provided with electrical, plumbing and telecommunication facilities, elevators, escalators, firefighting equipment, standby generator set and centralized air conditioning.

Total floor area of Glorietta 1 to 5 Malls is approximately 199,648 square meters.

Note: Only Glorietta 1 and 2 were considered in the discounted cash flow analysis valuation.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### **Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

### **Discounted Cash Flow (DCF) Analysis**

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation. DCF analysis involves the projection of a series cash flows either to an operating property, a development property. or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. Cash flow projection period is 10 years.
2. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
3. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
4. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
5. Terminal capitation rate is estimated at 7.01157% (discount rate less growth rate).

Based on the above information, we have prepared a Discounted Cash Flow Analysis, as shown on the next page:

Discounted Cash Flow Analysis (in Php)															
GLORIETTA MALL															
<b>STATISTICS</b>															
Estimated Leasable Area	36,080.00	sq.m.													
	Office Space	sq.m.													
	Retails	sq.m.													
		sq.m.													
	Parking Slots	slots													
Vacancy Rate (incl. bad debts)	-	(ave.)													
Terminal Capitalization Rate	7.01157%														
Discount Rate	9.51157%														
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309			
<b>GROSS REVENUES</b>			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
	Escalation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retails		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>															
Dues - Net		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>															
<b>LESS:</b>															
Vacancy Rate (incl. bad debts)	% of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		64,944,000	<b>261,399,600</b>	<b>267,934,590</b>	<b>274,632,955</b>	<b>281,498,779</b>	<b>288,536,248</b>	<b>295,749,654</b>	<b>303,143,396</b>	<b>310,721,981</b>	<b>318,490,030</b>	<b>326,452,281</b>	<b>2,928,559,513</b>	<b>334,613,588</b>	
Escalation of EGR			302.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
<b>LESS: OPERATING EXPENSES</b>															
Direct Operating Expenses															
Outside services		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land lease		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Building lease		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses		2,370,179	8,275,678	8,483,914	8,697,416	8,916,318	9,139,226	9,367,707	9,601,900	9,841,947	10,087,996	84,782,281			
Management fees		10,823,693	11,062,880	11,046,051	11,016,226	10,972,319	11,246,627	11,527,793	11,815,988	12,111,387	12,414,172	114,037,135			
Insurance		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
			13,193,872	19,338,558	19,529,964	19,713,642	19,888,637	20,385,853	20,895,500	21,417,887	21,953,334	22,502,168	198,819,417	23,064,722	
General Administrative Expenses		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>13,193,872</b>	<b>19,338,558</b>	<b>19,529,964</b>	<b>19,713,642</b>	<b>19,888,637</b>	<b>20,385,853</b>	<b>20,895,500</b>	<b>21,417,887</b>	<b>21,953,334</b>	<b>22,502,168</b>	<b>198,819,417</b>	<b>23,064,722</b>	
<b>NET INCOME</b>			<b>248,205,728</b>	<b>248,596,032</b>	<b>255,102,990</b>	<b>261,785,137</b>	<b>268,647,611</b>	<b>275,363,801</b>	<b>282,247,896</b>	<b>289,304,093</b>	<b>296,536,696</b>	<b>303,950,113</b>	<b>2,729,740,096</b>	<b>311,548,866</b>	
<b>ADD: Reversion Value (Resale Value)</b>														4,443,353,855	
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0	
<b>Net Reversion Value</b>														4,443,353,855	
Present Worth Factor @	9.51157% discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309	
<b>Present Worth of Net Income</b>			<b>226,647,949</b>	<b>207,288,009</b>	<b>194,238,598</b>	<b>182,014,071</b>	<b>170,562,266</b>	<b>159,641,874</b>	<b>149,420,669</b>	<b>139,853,886</b>	<b>130,899,623</b>	<b>122,518,665</b>	<b>1,683,085,610</b>		
<b>Present Worth of Net Reversion Value</b>														1,791,062,942	
<b>Total Present Value of Net Income</b>														1,683,085,610	
<b>Present Worth of Net Reversion Value</b>														1,791,062,942	
<b>Total</b>														3,474,148,553	
<b>Rounded to</b>														PhP 3,474,149,000	

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **BPI-PHILAM MAKATI**

Located at  
**No. 130 Dela Rosa Street  
Legaspi Village, Makati City  
Metro Manila**

30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 30 January 2024. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:

  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-024A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2023**.

The appraised property is the **BPI-PHILAM MAKATI (building and its facilities)** located **along Ayala Avenue and Valero Access Road, within Barangay Bel-Air, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;



Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** using is reasonably represented in the amount of **ONE HUNDRED SEVENTY-SEVEN MILLION FIVE HUNDRED FORTY-SEVEN THOUSAND (Php177,547,000) PESOS.**


We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:mfm

**CAI File No. 11-2023-1072-024A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2024-1072-024A**

## VALUATION REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Barangay Bel-Air, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property consists of **eight (8) office units and twenty-four (24) allocated parking slots**, located **within BPI-Philam Makati (formerly Ayala Life-FGU Center), Ayala Avenue and Valero Access Road, within Barangay Bel-Air, Makati City, Metro Manila**.

The particulars of the office and parking slots are as follows:

Unit No.	Floor Levels	Allocated Parking Slots	Parking Levels	CCT Nos.	Area (sq.m.)
17-A	17 <sup>th</sup>	271, 272 and 273	7 <sup>th</sup>	80862	315
17-B	17 <sup>th</sup>	232, 233 and 234	6 <sup>th</sup>	80863	291
17-C	17 <sup>th</sup>	229, 230 and 231	6 <sup>th</sup>	80864	291
17-D	17 <sup>th</sup>	226, 227 and 228	6 <sup>th</sup>	80865	315
18-A	18 <sup>th</sup>	223, 224 and 225	6 <sup>th</sup>	80866	315
18-B	18 <sup>th</sup>	220, 221 and 222	6 <sup>th</sup>	80867	291
18-C	18 <sup>th</sup>	217, 218 and 219	6 <sup>th</sup>	80868	291
18-D	18 <sup>th</sup>	214, 215 and 216	6 <sup>th</sup>	80869	315
<b>Total -</b>					<b>2,424 sq.m.</b>

The site of BPI-Philam Makati is located approximately 250 meters southeast from the intersection of Ayala Avenue and Sen. Gil Puyat Avenue; 600 meters northwest from the intersection of Ayala Avenue and Paseo de Roxas Avenue; and about 1.70 kilometers from the intersection of Ayala Avenue - Epifanio de los Santos Avenue (EDSA) – McKinley Road.

Ayala Avenue is 30 meters wide, with center island while Valero Access Road is 8 meters wide. All are concrete-paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The property is located in Makati Central Business District, a mixed-use development mainly multi-storey commercial – office/residential condominiums.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- RCBC Plaza
- FEU – Far Eastern University Makati Capus
- CEU – Centro Escolar University Makati Campus
- Makati Central Post Office
- Makati Central Fire Station

SM Jazz Mall, Glorietta Mall, Ayala Center Makati, SM Makati and Greenbelt Mall serve the shopping and marketing needs of the residents in the area. These are accessible from Ayala Avenue and Sen. Gil Puyat Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfares.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject units.

Public transportation connecting to various sections of Metro Manila is available along Ayala Avenue where the subject building fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

## V. **BPI-PHILAM MAKATI**

This is a thirty two (32)-storey with two (2)-level basement and six (6) podium parking of reinforced concrete framed building of concrete slab roof; gypsum board acoustic board on T-runner ceilings; clad with curtain wall of silver reflective glass bronzed aluminum and granite; glass on aluminum frame view walls; cement plastered concrete hollow block walls and partitions; steel louver and glass awning windows; granite tile, homogeneous tile, vinyl, carpet flooring and plain cement finish concrete floors; and plywood flush, glass on aluminum frame and tempered glass panel doors.

The building is painted and provided with a helipad on roof deck, electrical, plumbing, firefighting and alarm, security, standby power generator and telecommunication facilities.

The facility is serviced by four (4) high-rise, five (5) low-rise and one (1) passenger elevator.

Total floor area is approximately 27,343 square meters.

## VII. **HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## VIII. **VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodelling). Collection losses can result from a tenant's

inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php 0 but on year 2 the projected gross revenue is Php9,468,945 including dues-net, and average lease rates are Php540/sq.m./mo. for office on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;

5. The average capital expenditures in 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital(WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.





On the basis of the foregoing, the market value of BPI PHILAM MAKATI (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **PhP177,547,000**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **BPI PHILAM LIFE ALABANG**

Located in  
**Barangay Ayala Alabang  
Muntinlupa City, Metro Manila**

16 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 16 February 2024. Our Independent Valuation Report was made on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

## Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## CUERVO APPRAISERS, INC.

By:



### LIBERTY SANTIAGO-AÑO, IPA, MRICS

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

16 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-025A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us as by the **AREIT, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for REIT Law/ Annual reports for REIT properties use as of **31 December 2023**.

The appraised property is the **BPI PHILAM LIFE ALABANG (building and its facilities)**, located at **Alabang-Zapote Road corner Acacia Avenue Madrigal Business Park, Barangay Ayala Alabang, Muntinlupa City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **TWENTY-SIX MILLION SIX HUNDRED FORTY-SIX THOUSAND (Php26,646,000) PESOS.**

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:moa

**CAI File No. 11-2023-1072-025A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-025A**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located within Madrigal Business Park, Barangay Ayala Alabang, Muntinlupa City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

The appraised property consists of **six (6) office units**, located **on the 7<sup>th</sup> floor of Ayala Life-FGU Center, along Alabang-Zapote Road corner Acacia Avenue, within Madrigal Business Park, Barangay Ayala Alabang, Muntinlupa City, Metro Manila**.

Ayala Life-FGU Center is located approximately 450 meters northwest from Madrigal Avenue corner Alabang-Zapote Road; 1.40 kilometers northwest from Filinvest Avenue corner Alabang-Zapote Road; and about 2.35 kilometers northwest from South Luzon Expressway (SLEX).

Alabang Zapote Road is 40 meters wide and asphalt-paved while Acacia Avenue is 20 meters wide and concrete-paved. Both are provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### **III. NEIGHBORHOOD DATA**

Ayala Life-FGU Center is located where land development is of mixed commercial and residential use.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are asphalted, with widths ranging from 15 to 50 meters and lighted with streetlamps.



Some of the important improvements in the vicinity are:

Isuzu Alabang  
Alabang Medical Center  
Richville Corporate Tower  
Philam Life Building  
Kingston Tower  
The Paragon Corporate Center

Puregold Molito and Alabang Town Center serve the commercial and shopping needs of the residents in the area. These are within the proximity of the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from Alabang- Zapote Road.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject condominium units.

Public transportation connecting to various sections of Muntinlupa City, as well as to the other parts of Metro Manila are available along Alabang-Zapote Road where the subject condominium building fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. DESCRIPTION OF THE SUBJECT PROPERTY**

##### **BPI Philam Life Alabang**

This is a thirteen (13)-storey with four (4) basement parking levels reinforced concrete framed building, constructed with reinforced concrete slab roof; soffit slab, plywood and gypsum board ceilings; cement plastered concrete hollow block walls; fiber cement board and glass on aluminum frame partitions; glass on powder-coated aluminum frame windows; wood panel, glass, steel and PVC doors; and plain cement, ceramic tiles, vinyl tiles, carpet, and epoxy paint finished concrete floors.

The building is painted and provided with electrical, plumbing, telecommunication, four (4) passenger elevators, and firefighting facilities.

The subject units consist of six (6) office units all located on the 7<sup>th</sup> floor having a total area of 551-square meter, the particulars are on the next page:

Unit No.	Floor Area (sq.m.)
709	55
701	55
702	102
703	113
704	113
705	<u>113</u>
<b>Total - 551 sq.m.</b>	

The interior finishes of the units consist of gypsum board on aluminum T-runner and plywood ceiling; fiber cement board and glass partitions; glass and PVC doors, and ceramic tiles, carpet and vinyl tiles finish concrete floor.

The units are presently leased by Amaia Land Corporation. Reportedly, all improvements are at the expense of the lessee.

#### **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

#### **VII. VALUATION**

##### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodelling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser

deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php3913103 including dues-net, and average lease rate is Php318/sq.m./mo. for office on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;

5. The average capital expenditures in 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.01157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
BPI PHILAM LIFE ALABANG														
<b>STATISTICS</b>														
	Gross Leasable Area	551.00	sq. m.		Ave. Lease Rate on Yr. 1									
					Php3,815/sq.m./yr.									
					Php318/sq.m./mo.									
	Vacancy Rate (incl. bad debts)	0.00%	(ave.)											
	Terminal Capitalization Rate	7.01157%												
	Discount Rate	9.51157%												
	Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
			Escalation	-	-	-	-	-	-	-	-	-	-	<b>11</b>
<b>GROSS REVENUES</b>														
	Office Spaces			-	-	-	-	-	-	-	-	-	-	
	Retails			-	-	-	-	-	-	-	-	-	-	
	Parking Slots			-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>														
	Dues - Net			-	-	-	-	-	-	-	-	-	-	
	<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
	Vacancy Rate (incl. bad debts)	0%	of gross revenues	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
	<b>Effective Gross Revenues (EGR)</b>			<b>3,913,103</b>	<b>3,967,397</b>	<b>4,044,468</b>	<b>4,244,595</b>	<b>4,454,990</b>	<b>4,566,365</b>	<b>4,680,524</b>	<b>4,797,537</b>	<b>4,917,476</b>	<b>5,040,412</b>	<b>44,626,866</b>
<b>LESS: OPERATING EXPENSES</b>														
			Php(000)											
	Direct Operating Expenses													
	Outside services			-	-	-	-	-	-	-	-	-	-	-
	Repairs and maintenance			-	-	-	-	-	-	-	-	-	-	-
	Miscellaneous			-	-	-	-	-	-	-	-	-	-	-
	Land lease			-	-	-	-	-	-	-	-	-	-	-
	Building lease			-	-	-	-	-	-	-	-	-	-	-
	Taxes and licenses			313,087	320,363	314,343	313,744	318,896	326,868	335,040	343,416	352,001	360,801	3,298,558
	Management fees			656,799	613,057	609,695	637,177	665,766	682,410	699,470	716,957	734,881	753,253	6,769,466
	Insurance			-	-	-	-	-	-	-	-	-	-	-
	Others			1,108,363	1,142,723	1,178,147	1,214,670	1,252,324	1,283,632	1,315,723	1,348,616	1,382,332	1,416,890	12,643,421
				2,078,250	2,076,143	2,102,184	2,165,591	2,236,986	2,292,911	2,350,233	2,408,989	2,469,214	2,530,944	22,711,446
														2,594,218
	General Administrative Expenses			31,873	32,861	33,880	34,930	36,013	36,914	37,836	38,782	39,752	40,746	363,589
	Capital Expenditures			68,956	72,848	76,010	79,486	83,137	85,216	87,346	89,530	91,768	94,062	828,360
	Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	96,414
	<b>Total</b>			<b>2,179,079</b>	<b>2,181,852</b>	<b>2,212,074</b>	<b>2,280,007</b>	<b>2,356,137</b>	<b>2,415,040</b>	<b>2,475,416</b>	<b>2,537,302</b>	<b>2,600,734</b>	<b>2,665,752</b>	<b>23,903,394</b>
	<b>NET INCOME</b>			<b>1,734,023</b>	<b>1,785,545</b>	<b>1,832,393</b>	<b>1,964,587</b>	<b>2,098,853</b>	<b>2,151,325</b>	<b>2,205,108</b>	<b>2,260,236</b>	<b>2,316,741</b>	<b>2,374,660</b>	<b>20,723,472</b>
	<b>ADD: Reversion Value (Resale Value)</b>													34,714,429
	<b>LESS: Marketing Cost</b>	0.00%	of Resale Value											0
	<b>Net Reversion Value</b>													<b>34,714,429</b>
	Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309
	<b>Present Worth of Net Income</b>			<b>1,583,415</b>	<b>1,488,850</b>	<b>1,395,207</b>	<b>1,365,939</b>	<b>1,332,546</b>	<b>1,247,228</b>	<b>1,167,373</b>	<b>1,092,631</b>	<b>1,022,675</b>	<b>957,197</b>	<b>12,653,062</b>
	<b>Present Worth of Net Reversion Value</b>													<b>13,992,972</b>
	<b>Total Present Value of Net Income</b>				<b>12,653,062</b>									
	<b>Present Worth of Net Reversion Value</b>					<b>13,992,972</b>								
	<b>Total</b>					<b>26,646,034</b>								
	<b>Market Value of Property (building and its facilities)</b>				PhP	<b>26,646,034</b>								
	<b>Rounded to</b>				PhP	<b>26,646,000</b>								



On the basis of the foregoing, the market value of BPI PHILAM LIFE ALABANG (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php26,646,000**.

**MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**LANGUNA TECHNOPARK**

Located in  
**Barangay Biñan**  
**Biñan City, Province of Laguna**

06 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 February 2024. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.



## Prohibitions

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## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## CUERVO APPRAISERS, INC.

**By:**

### **LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

06 February 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-026A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us as by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2023**.

The appraised properties consist of **land only**, located **within Laguna Technopark, Barangay Biñan, Biñan City, Province of Laguna**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** using is reasonably represented in the amount of **ONE BILLION FOUR HUNDRED EIGHTY-EIGHT MILLION EIGHT HUNDRED EIGHTY THOUSAND (Php1,488,880,000) PESOS.**

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:rvp:moa

**CAI File No. 11-2023-1072-026A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
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**CAI File No. 11-2023-1072-026A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of certain real property located within Laguna Technopark, Barangay Biñan, Biñan City, Laguna. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

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It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

The appraised properties consist of two (2) sites, both are identified as the site of **Integrated Micro-Electronics, Inc.-Global Manufacturing**, located **within Laguna Technopark, Barangay Binan, Binan City, Province of Laguna**.

For purposes of definitive valuation, the property is defined as under:

**Site 1** –is a parcel of lot, located on the southwest side corner of Trade Avenue and Technology Avenue; approximately 200 meters southeast of East Main Avenue corner Trade Avenue; 300 meters northwest from East Science Avenue corner Trade Avenue; and about 1.2 kilometers southeast from Gate 3 of Laguna Technopark.

Technology and Trade Avenues are both about 15 meters wide, both are concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and an underground drainage.

**Site 2** - consists of three (3) contiguous parcels of lot, located on the northwest side of North Science Avenue, approximately 330 meters northeast of Laguna Technopark Gate 2; 400 meters southeast from the intersection of Technology Avenue and North Science Avenue; and about 640 meters southeast from the intersection of Laguna Boulevard and Technology Avenue.

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### **III. NEIGHBORHOOD DATA**

The property is located in an area where land development is for industrial use.

Generally, the roads in the neighborhood are designed to accommodate medium to heavy vehicular traffic loads. Major thoroughfares are either concreted or asphalted, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

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Paseo de Sta. Rosa, Vista Mall Sta. Rosa, and Ayala Malls Solenad serve the commercial and shopping needs of the residents in the area. These are accessible from Laguna Boulevard by public transportation. Other community centers like churches/chapels, hospital/clinic, and private and public schools are likewise accessible from the said thoroughfare.

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Electric power and water supply facilities are available at the site.

Public transportation connecting to various sections of Biñan City and its neighboring towns is available along Sta. Rosa–Tagaytay Road which is approximately 5.2 kilometers from the subject property. However, motorized tricycle is the immediate mode of transport plying in the area. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

### **V. LAND DATA**

The land subject for appraisal consists of two (2) sites, technically identified as follows:

#### **Site 1**

The land is technically identified as Lot 1-B, containing an area of 11,929 square meters, more or less. It is covered by Transfer Certificate of Title No. 624096 issued by the Registry of Deeds for the Calamba City in favor of the **TECHNOPARK LAND, INC.**

**Site 2**

The land consists of three (3) contiguous lots, containing an aggregate area of 86,250 square meters, technically identified as under:

<b>Lot Nos.</b>	<b>TCT Nos.</b>	<b>Area (sq.m.)</b>
Lot 3/Blk 1	624093	31,402
Lot 4/Blk 1	624094	31,401
Lot 3	624095	<u>23,447</u>
		<b>Total – 86,250 sq.m.</b>

The above Transfer Certificates of Titles were all issued by the Registry of Deeds for Calamba City in favor of the **TECHNOPARK LAND, INC.**

No Transfer Certificate of Title, land data was based on the tax declaration provided to us by the client.

For both sites, the terrain of the land is generally flat, elevations are at grade with the fronting avenues.

**Government Assessment**

BIR Zonal Value of Real Property within Barangay Biñan, Biñan City, Laguna as per Department Order No. 032-2019, effective 13 June 2019:

<b>Vicinity</b>	<b>Classification</b>	<b>5<sup>th</sup> Revision Zonal Value (Php/sq.m.)</b>
Laguna Techno Park	Industrial	8,000

**VI. ON IMPROVEMENTS**

The subject lots are improved with buildings and other land improvement presently occupied by Integrated Micro-Electronics, Inc.-Global Manufacturing. However, as per appraisal agreement, these improvements shall not be included in the valuation. Hence, the land is appraised as if vacant.

**VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that an **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.



Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php85,922,775 including dues-net, considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
6. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
LAGUNA TECHNOPARK														
<b>STATISTICS</b>														
Vacancy Rate (incl. bad debts)														
Terminal Capitalization Rate	6.51157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>85,922,775</b>	<b>90,218,914</b>	<b>94,729,860</b>	<b>99,466,353</b>	<b>104,439,671</b>	<b>109,661,654</b>	<b>115,144,737</b>	<b>120,901,974</b>	<b>126,947,072</b>	<b>133,294,426</b>	<b>1,080,727,436</b>	<b>137,293,259</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services														-
Repairs and maintenance														-
Miscellaneous														-
Land lease														-
Building lease														-
Taxes and licenses			859,228	902,189	947,299	994,664	1,044,397	1,096,617	1,151,447	1,209,020	1,269,471	1,332,944	10,807,274	
Management fees														-
Insurance														-
Others														-
			859,228	902,189	947,299	994,664	1,044,397	1,096,617	1,151,447	1,209,020	1,269,471	1,332,944	10,807,274	1,372,933
General Administrative Expenses														-
Capital Expenditures														-
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>859,228</b>	<b>902,189</b>	<b>947,299</b>	<b>994,664</b>	<b>1,044,397</b>	<b>1,096,617</b>	<b>1,151,447</b>	<b>1,209,020</b>	<b>1,269,471</b>	<b>1,332,944</b>	<b>10,807,274</b>	<b>1,372,933</b>
<b>NET INCOME</b>			<b>85,063,548</b>	<b>89,316,725</b>	<b>93,782,561</b>	<b>98,471,689</b>	<b>103,395,274</b>	<b>108,565,038</b>	<b>113,993,289</b>	<b>119,692,954</b>	<b>125,677,602</b>	<b>131,961,482</b>	<b>1,069,920,162</b>	<b>135,920,326</b>
<b>ADD: Reversion Value (Resale Value)</b>														2,087,366,428
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														<b>2,087,366,428</b>
Present Worth Factor @ 9.51157% discount rate			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>77,675,398</b>	<b>74,475,389</b>	<b>71,407,212</b>	<b>68,465,434</b>	<b>65,644,850</b>	<b>62,940,466</b>	<b>60,347,495</b>	<b>57,861,347</b>	<b>55,477,622</b>	<b>53,192,099</b>	<b>647,487,313</b>	
<b>Present Worth of Net Reversion Value</b>														<b>841,392,511</b>
<b>Total Present Value of Net Income</b>														<b>647,487,313</b>
<b>Present Worth of Net Reversion Value</b>														<b>841,392,511</b>
<b>Total</b>														<b>1,488,879,824</b>
<b>Market Value of Property (building and its facilities)</b>														<b>PhP 1,488,879,824</b>
<b>Rounded to</b>														<b>PhP 1,488,880,000</b>

On the basis of the foregoing, the market value of LAND ONLY using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,488,880,000**.

DRAFT

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **LAGUNA TECHNOPARK**

Located in  
**Barangay Biñan**  
**Biñan City, Province of Laguna**

07 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 07 February 2024. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

## Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## CUERVO APPRAISERS, INC.

By:



### LIBERTY SANTIAGO-AÑO, IPA, MRICS

*Vice President and General Manager*

Real Estate Appraiser

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Lot 4/Blk 1	624094	31,401
Lot 3	624095	<u>23,447</u>
		<b>Total – 86,250 sq.m.</b>

The above Transfer Certificates of Titles were all issued by the Registry of Deeds for Calamba City in favor of the **TECHNOPARK LAND, INC.**

No Transfer Certificate of Title, land data was based on the tax declaration provided to us by the client.

For both sites, the terrain of the land is generally flat, elevations are at grade with the fronting avenues.

**Government Assessment**

BIR Zonal Value of Real Property within Barangay Biñan, Biñan City, Laguna as per Department Order No. 032-2019, effective 13 June 2019:

<b>Vicinity</b>	<b>Classification</b>	<b>5<sup>th</sup> Revision Zonal Value (Php/sq.m.)</b>
Laguna Techno Park	Industrial	8,000

**VI. ON IMPROVEMENTS**

The subject lots are improved with buildings and other land improvement presently occupied by Integrated Micro-Electronics, Inc.-Global Manufacturing. However, as per appraisal agreement, these improvements shall not be included in the valuation. Hence, the land is appraised as if vacant.

**VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that an **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php85,922,775 including dues-net, considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
6. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
LAGUNA TECHNOPARK														
<b>STATISTICS</b>														
Vacancy Rate (incl. bad debts)														
Terminal Capitalization Rate	6.51157%													
Discount Rate	9.51157%													
Present Worth Factor		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309			
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>85,922,775</b>	<b>90,218,914</b>	<b>94,729,860</b>	<b>99,466,353</b>	<b>104,439,671</b>	<b>109,661,654</b>	<b>115,144,737</b>	<b>120,901,974</b>	<b>126,947,072</b>	<b>133,294,426</b>	<b>1,080,727,436</b>	<b>137,293,259</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services														-
Repairs and maintenance														-
Miscellaneous														-
Land lease														-
Building lease														-
Taxes and licenses			859,228	902,189	947,299	994,664	1,044,397	1,096,617	1,151,447	1,209,020	1,269,471	1,332,944	10,807,274	
Management fees														-
Insurance														-
Others														-
			859,228	902,189	947,299	994,664	1,044,397	1,096,617	1,151,447	1,209,020	1,269,471	1,332,944	10,807,274	1,372,933
General Administrative Expenses			-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures			-	-	-	-	-	-	-	-	-	-	-	-
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>859,228</b>	<b>902,189</b>	<b>947,299</b>	<b>994,664</b>	<b>1,044,397</b>	<b>1,096,617</b>	<b>1,151,447</b>	<b>1,209,020</b>	<b>1,269,471</b>	<b>1,332,944</b>	<b>10,807,274</b>	<b>1,372,933</b>
<b>NET INCOME</b>			<b>85,063,548</b>	<b>89,316,725</b>	<b>93,782,561</b>	<b>98,471,689</b>	<b>103,395,274</b>	<b>108,565,038</b>	<b>113,993,289</b>	<b>119,692,954</b>	<b>125,677,602</b>	<b>131,961,482</b>	<b>1,069,920,162</b>	<b>135,920,326</b>
<b>ADD: Reversion Value (Resale Value)</b>														2,087,366,428
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														<b>2,087,366,428</b>
Present Worth Factor @ 9.51157% discount rate			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>77,675,398</b>	<b>74,475,389</b>	<b>71,407,212</b>	<b>68,465,434</b>	<b>65,644,850</b>	<b>62,940,466</b>	<b>60,347,495</b>	<b>57,861,347</b>	<b>55,477,622</b>	<b>53,192,099</b>	<b>647,487,313</b>	
<b>Present Worth of Net Reversion Value</b>														<b>841,392,511</b>
<b>Total Present Value of Net Income</b>														<b>647,487,313</b>
<b>Present Worth of Net Reversion Value</b>														<b>841,392,511</b>
<b>Total</b>														<b>1,488,879,824</b>
<b>Market Value of Property (building and its facilities)</b>														<b>PhP 1,488,879,824</b>
<b>Rounded to</b>														<b>PhP 1,488,880,000</b>

On the basis of the foregoing, the market value of LAND ONLY using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,488,880,000**.



## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **SOLARIS ONE**

Located at  
**No. 130, Dela Rosa Street  
Legaspi Village, Makati City  
Metro Manila**

16 February 2024

**AREIT, INC.**

28th Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 16 February 2024. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

16 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for REIT Law / Annual reports for REIT properties use as of **31 December 2023**.

The appraised property is the **SOLARIS ONE (building and its facilities)**, located at **No. 130, Dela Rosa Street, Legaspi Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of building and its facilities only, this report pertaining to the said item, therefore, partakes the nature of a fractional appraisal and is rendered as such.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **SEVEN BILLION FIFTY-SIX MILLION TWO HUNDRED FORTY THOUSAND (Php7,056,240,000) PESOS.**

We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

**ENGR. ANGELO V. SAN ANTONIO**

**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:moa

**CAI File No. 11-2023-1072A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located at No. 130, Dela Rosa Street, Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the clients and as shown to us by the client's representative, the appraised property is the **SOLARIS ONE**, located at **No. 130, Dela Rosa Street, Legaspi Village, Makati City, Metro Manila**.

The site of Solaris One is located approximately 100-meter northwest from Herrera Street; 270 meters southwest from Ayala Avenue near PBCOM Tower; 560 meters northwest from the corner of Paseo de Roxas and Ayala Avenue near Tower One and Exchange Plaza; 950 meters northwest from Makati Avenue; and about 1.70 kilometers northwest from Epifanio Delos Santos Avenue near Ayala MRT Station.

Dela Rosa Street is 12 meters wide, concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage.

### III. NEIGHBORHOOD DATA

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial, and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with mercury arc lamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- GT Tower
- LKG Tower
- PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are accessible from Ayala Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government, Makati Central Estate Association Inc. (MACEA) and the Metro Manila Development Authority (MMDA).

#### **V. SOLARIS ONE**

This is a 24-storey reinforced concrete framed building having reinforced concrete slab roof deck; pre-cast concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame



and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

This is a state-of-the-art 24-story PEZA-accredited building developed to meet Grade “A” specifications, Solaris One is built on 3,612 square meters of prime property along Dela Rosa Street in the Makati Central Business District. Business Process Outsourcing (BPO)-ready, the building offers a total Gross Leasable Area of 46,768 square meters, features large efficient floor plates approximately 2,800 square meters in size and provides a conducive working environment for employees with its high-end facilities. It is equipped with 100% back-up generators; a centralized chilled water system; 671 secured above-ground parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Solaris One also has a mini park and is in the vicinity of retail shops and dining establishments at People Support Center and Convergys One.

Other Building Information

Location of Property:	Central
Type of Property:	Office- BPO
Total Number of Storeys:	24
Building Height (m) :	119.7
Number of Carpark Storeys (upper levels):	7
Total Number of Parking Slots:	671
Gross Floor Area (sqm):	73,322.00
<b>Milestones</b>	
Construction Date	
Start:	10/1/2006
End:	10/1/2008
Date Operational:	2008

The estimated remaining economic life is 35 years.

**VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodelling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php733,146,191 including dues-net, and average lease rates are Php1,024/sq.m./mo. for office, Php1,134/sq.m./mo. for retail and Php4,297/slot/mo. for parking on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 3% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 5.78% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital(WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate.

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
SOLARIS ONE														
<b>STATISTICS</b>														
Estimated Leasable Area														
9th to 25th Floors	Office Space	46,027.00	sq.m.	Ave. Lease Rate on Yr. 1										
Ground and Mezzanine Floors	Retails	741.00	sq.m.	Php1,024/sq.m./mo.										
		46,768.00	sq.m.	Php1,134/sq.m./mo.										
2nd to 8th Floors	Parking Slots	671	slots	Php4,297/slot/mo.										
Terminal Capitalization Rate		6.51157%												
Discount Rate		9.51157%												
Present Worth Factor				0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	
		<b>Year</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>		Escalation		-	-	-	-	-	-	-	-	-	-	-
Office Spaces				-	-	-	-	-	-	-	-	-	-	-
Retails				-	-	-	-	-	-	-	-	-	-	-
Parking Slots				-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net				-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues			-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>				<b>733,146,191</b>	<b>740,381,084</b>	<b>703,433,775</b>	<b>733,416,546</b>	<b>752,919,001</b>	<b>775,506,571</b>	<b>798,771,769</b>	<b>822,734,922</b>	<b>847,416,969</b>	<b>872,839,478</b>	<b>7,780,566,306</b>
<b>LESS: OPERATING EXPENSES</b>														
		Php(000)												
Direct Operating Expenses														
Outside services				12,096,965	12,471,971	12,858,602	13,257,218	13,668,192	14,078,238	14,500,585	14,935,603	15,383,671	15,845,181	139,096,225
Repairs and maintenance				21,595,449	22,264,908	22,955,121	23,666,729	24,400,398	25,132,410	25,886,382	26,662,974	27,462,863	28,286,749	248,313,983
Miscellaneous				1,099,745	1,133,837	1,168,986	1,205,224	1,242,586	1,279,864	1,318,260	1,357,808	1,398,542	1,440,498	12,645,349
Land lease				42,726,896	44,090,964	41,425,977	43,611,074	44,777,022	46,120,332	47,503,942	48,929,061	50,396,932	51,908,840	461,491,041
Building lease				-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses				36,156,372	36,444,217	36,565,227	36,389,516	36,677,840	37,778,175	38,911,520	40,078,866	41,281,232	42,519,669	382,802,634
Management fees				59,838,244	59,334,197	55,719,039	61,659,733	63,331,835	65,231,790	67,188,744	69,204,406	71,280,539	73,418,955	646,207,482
Insurance				1,913,745	1,973,071	2,034,236	2,097,297	2,162,313	2,227,183	2,293,998	2,362,818	2,433,703	2,506,714	22,005,078
Others				3,788,135	3,905,568	4,026,640	4,151,466	4,280,161	4,408,566	4,540,823	4,677,048	4,817,359	4,961,880	43,557,647
				179,215,551	181,618,732	176,753,827	186,038,258	190,540,348	196,256,559	202,144,255	208,208,583	214,454,841	220,888,486	1,956,119,439
General Administrative Expenses				17,203,961	17,274,451	17,865,261	18,477,150	19,110,912	19,684,239	20,274,766	20,883,009	21,509,500	22,154,785	194,438,035
Capital Expenditures				60,142,680	60,785,740	59,529,389	25,559,506	26,109,167	26,742,442	27,394,716	28,066,557	28,758,554	29,471,310	372,560,062
<b>Total</b>				<b>256,562,191</b>	<b>259,678,924</b>	<b>254,148,477</b>	<b>230,074,915</b>	<b>235,760,427</b>	<b>242,683,240</b>	<b>249,813,737</b>	<b>257,158,150</b>	<b>264,722,894</b>	<b>272,514,581</b>	<b>280,690,018</b>
<b>NET INCOME</b>				<b>476,583,999</b>	<b>480,702,160</b>	<b>449,285,298</b>	<b>503,341,631</b>	<b>517,158,574</b>	<b>532,823,331</b>	<b>548,958,031</b>	<b>565,576,772</b>	<b>582,694,075</b>	<b>600,324,897</b>	<b>5,257,448,770</b>
<b>ADD: Reversion Value (Resale Value)</b>														9,495,937,912
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														<b>9,495,937,912</b>
Present Worth Factor @	9.51157%	discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309
<b>Present Worth of Net Income</b>				<b>435,190,546</b>	<b>400,826,165</b>	<b>342,091,428</b>	<b>349,963,565</b>	<b>328,339,931</b>	<b>308,903,765</b>	<b>290,615,723</b>	<b>273,408,192</b>	<b>257,217,525</b>	<b>241,983,806</b>	<b>3,228,540,646</b>
<b>Present Worth of Net Reversion Value</b>														<b>3,827,699,313</b>
<b>Total Present Value of Net Income</b>														<b>3,228,540,646</b>
<b>Present Worth of Net Reversion Value</b>														<b>3,827,699,313</b>
<b>Total</b>														<b>7,056,239,959</b>
<b>Market Value of Property (building and its facilities)</b>			PhP											<b>7,056,239,959</b>
<b>Rounded to</b>			PhP											<b>7,056,240,000</b>

On the basis of the foregoing, the market value of Solaris One (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php7,056,240,000**

**MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**(Marquee Mall – Pampanga)**

Located in  
**Barangay Pulung Maragul, Angeles City  
Pampanga**

19 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



19 February 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-023A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for REIT Law / Annual reports for REIT properties use as **31 December 2023**.

The appraised property consists of **building only (Marquee Mall – Pampanga)**, located **within Barangay Pulung Maragul, Angeles City, Pampanga**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

Income Approach as a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease/Rental rates of the property,

Extent, character, and utility of the property, and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **TWO BILLION SIXTY-NINE MILLION FIVE HUNDRED FORTY-ONE THOUSAND (Php2,069,541,000) PESOS.**

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Real Estate Appraiser**

PRC Registration Number: 0000087

Valid Until: 12/06/2025

IPREA Membership No. 847

PTR No. 3724602

16 January 2024

City of Dasmariñas

EPL:moa

**CAI File No. 11-2023-1072-023A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-023A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of certain real property located within Barangay Pulung Maragul, Angeles City, Pampanga. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

The appraised property is identified as the site of **Marquee Mall**, located **on the north corner of the North Luzon Expressway (NLEX) – Angeles Exit Road and Don Aniceto Gueco Avenue, Barangay Pulung Maragul, Angeles City, Pampanga**.

The property is across the Infinity Subdivision, Angeles City Hall Complex and Marquee Residences, approximately 100 meters southwest from the North Luzon Expressway (NLEX); 1.22 kilometers northeast from Jose P. Dizon Elementary School; 2.8 kilometers northeast from Puregold Pandan; 2.96 kilometers northeast from Saint Ignacio Subdivision; and about 3.75 kilometers northeast from the interchange of MacArthur Highway and Pandan Road.

NLEX-Angeles Exit Road and Don Aniceto Gueco Avenue are 30 and 20 meters wide, respectively. Both are concrete with asphalt overlay paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center-island.

The configuration of the site, as inspected, appears to conform to the lot plan as plotted based on the technical description appearing in the titles.

### **III. NEIGHBORHOOD DATA**

The property is in an area where land development is of mixed residential and commercial use.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are asphalt paved, with widths ranging from 15 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

- Angeles City Hall Complex
- Marquee Residences
- The Infinity Subdivision
- Pulong Maragul Barangay Hall
- Toyota – Angeles Pampanga, Inc.
- Marquee Place Club House
- Marquee Place Subdivision
- Santa Maria Village 2
- Angeles City National High School
- Forest Park Homes North
- Santa Teresita Elementary School

Puregold Pandan, SM City – Clark, Savers Mall and Robinsons Place Angeles serve the shopping needs of the residents in the area. These are accessible from Pandan Road by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power and water supply facilities are available at the site.

Public transportation connecting to various sections of Angeles City and nearby towns is available along Pandan Road. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

### **V. DESCRIPTION OF IMPROVEMENT**

The land is improved with a building described as under:

#### **Marquee Mall Building**

This is three (3)-storey of reinforced concrete frame and foundation, floors and stairs, and partly roof deck, of pre painted ribbed type long span metal sheet on steel frame and reinforced concrete slab roof with water proofing membrane; fiber cement board, aluminum spandrel and acoustic board on aluminum T-runner ceilings; concrete hollow block with plastered cement, stone deco, partly with granite tile and partly gypsum board with aluminum composite panel cladding interior and plastered cement and aluminum composite panel exterior finished walls; cement plastered

concrete hollow block and glass panel partitions; glass on powder coated aluminum frame and concrete and steel louver type windows; steel and wood panel, plywood, PVC panel and metal flush, frameless glass and glass on powder coated aluminum panel doors; and homogenous tile, granite tile, vinyl tile, ceramic tile, carpet, steel plate, plain cement and rubberized epoxy paint finished floors.

The building is painted and complete with machinery and equipment as described in a separate cost approach valuation report. Total floor area is approximately 64,888 square meters, allocated as follows:

Floor Level	Area (sq.m.)
Ground	29,120
Second	22,880
Third	<u>12,888</u>
	<b>Total - 64,888 sq.m.</b>

## VI. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## VII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### Income Capitalization Approach

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

### Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation. DCF analysis involves the projection of a series cash flows either to an operating property, a development property. or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. Cash flow projection period is 10 years.
2. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
3. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
4. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
5. Terminal capitation rate is estimated at 7.01157% (discount rate less growth rate).

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as on the next page:

Discounted Cash Flow Analysis (in PhP)															
MARQUEE MALL															
<b>STATISTICS</b>															
Estimated Leasable Area		40,544.00	sq.m.												
		Office Space	sq.m.												
		Retails	sq.m.												
		Parking Slots	sq.m. slots												
Vacancy Rate (incl. bad debts)		-	(ave.)												
Terminal Capitalization Rate		7.01157%													
Discount Rate		9.51157%													
Present Worth Factor				0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	
<b>GROSS REVENUES</b>		Escalation		-	-	-	-	-	-	-	-	-	-	-	
Office Spaces				-	-	-	-	-	-	-	-	-	-	-	
Retails				-	-	-	-	-	-	-	-	-	-	-	
Parking Slots				-	-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>															
Dues - Net				-	-	-	-	-	-	-	-	-	-	-	
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-	
<b>LESS:</b>															
Vacancy Rate (incl. bad debts)		% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	
<b>Effective Gross Revenues (EGR)</b>			41,354,880	<b>166,453,392</b>	<b>170,614,727</b>	<b>174,880,095</b>	<b>179,252,097</b>	<b>183,733,400</b>	<b>188,326,735</b>	<b>193,034,903</b>	<b>197,860,776</b>	<b>202,807,295</b>	<b>207,877,477</b>	<b>1,864,840,897</b>	<b>213,074,414</b>
Escalation of EGR				302.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
<b>LESS: OPERATING EXPENSES</b>															
Direct Operating Expenses															
Outside services				-	-	-	-	-	-	-	-	-	-	-	
Repairs and maintenance				-	-	-	-	-	-	-	-	-	-	-	
Miscellaneous				-	-	-	-	-	-	-	-	-	-	-	
Land lease			9,987,204	10,236,884	10,492,806	10,755,126	11,024,004	11,299,604	11,582,094	11,871,647	12,168,438	12,472,649	12,788,807	111,890,454	
Building lease			-	-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses			1,662,506	5,427,292	5,564,318	5,704,830	5,848,918	5,995,141	6,145,019	6,298,645	6,456,111	6,617,514	6,782,807	55,720,293	
Management fees			6,745,336	6,897,645	6,886,929	6,867,937	6,839,978	7,010,978	7,186,252	7,365,908	7,550,056	7,738,807	7,928,807	71,089,827	
Insurance			-	-	-	-	-	-	-	-	-	-	-	-	
Others			-	-	-	-	-	-	-	-	-	-	-	-	
			18,395,046	22,561,821	22,944,052	23,327,893	23,712,900	24,305,723	24,913,366	25,536,200	26,174,605	26,828,970	27,499,694	274,999,694	
General Administrative Expenses			-	-	-	-	-	-	-	-	-	-	-	-	
Capital Expenditures			-	-	-	-	-	-	-	-	-	-	-	-	
Marketing Expenses		0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total</b>			18,395,046	22,561,821	22,944,052	23,327,893	23,712,900	24,305,723	24,913,366	25,536,200	26,174,605	26,828,970	27,499,694	274,999,694	
<b>NET INCOME</b>				<b>148,058,346</b>	<b>148,052,906</b>	<b>151,936,043</b>	<b>155,924,204</b>	<b>160,020,500</b>	<b>164,021,012</b>	<b>168,121,538</b>	<b>172,324,576</b>	<b>176,632,690</b>	<b>181,048,508</b>	<b>1,626,140,323</b>	<b>185,574,720</b>
<b>ADD: Reversion Value (Resale Value)</b>														2,646,692,828	
<b>LESS: Marketing Cost</b>		0.00% of Resale Value												0	
<b>Net Reversion Value</b>														<b>2,646,692,828</b>	
Present Worth Factor @	9.51157%	discount rate		0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309	
<b>Present Worth of Net Income</b>				<b>135,198,816</b>	<b>123,451,657</b>	<b>115,685,997</b>	<b>108,411,041</b>	<b>101,595,763</b>	<b>95,091,009</b>	<b>89,002,728</b>	<b>83,304,253</b>	<b>77,970,629</b>	<b>72,978,494</b>	<b>1,002,690,388</b>	
<b>Present Worth of Net Reversion Value</b>														<b>1,066,850,311</b>	
<b>Total Present Value of Net Income</b>					<b>1,002,690,388</b>										
<b>Present Worth of Net Reversion Value</b>					<b>1,066,850,311</b>										
<b>Market Value of Property (building and its facilities)</b>			PhP	<b>2,069,540,700</b>											
<b>Rounded to</b>			PhP	<b>2,069,541,000</b>											



**MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**AYALA NORTH EXCHANGE - BPO**

Located at  
**No. 6796 Ayala Avenue corner Salcedo Street  
Legaspi Village, Makati City, Metro Manila**

30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 30 January 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

## Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 43 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-001A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the market value of the property intended for REIT Law / Annual reports for REIT properties use as of **31 December 2023**.

The appraised property is the **AYALA NORTH EXCHANGE - BPO (building and its facilities)**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **FIVE BILLION NINE HUNDRED TWENTY-SEVEN MILLION THREE HUNDRED EIGHTY-FOUR THOUSAND (Php5,927,384,000) PESOS.**

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:moa

**CAI File No. 11-2023-1072-001A**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 11-2023-1072-001A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located on the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the clients and as shown to us by the client's representative, the appraised property is the **AYALA NORTH EXCHANGE – BPO**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The site of Ayala North Exchange is bounded by Amorsolo Street on the northwest, Ayala Avenue on the northeast and Salcedo Street on the southeast, it is located approximately 220-meter northwest from V. A. Rufino Street; 390 meters southwest from Ayala Avenue near PBCOM Tower; 680 meters northwest from the corner of Paseo De Roxas and Ayala Avenue near Tower One and Exchange Plaza; 1.08 kilometers northwest from Makati Avenue; and about 1.82 kilometers northwest from Epifanio de los Santos Avenue near Ayala MRT Station.

Ayala Avenue, Amorsolo and Salcedo Streets are correspondingly 40, 12 and 12 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage, the former has a center island.

### **III. NEIGHBORHOOD DATA**

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- GT Tower
- LKG Tower
- PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from Ayala Avenue by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).



V. **AYALA NORTH EXCHANGE**

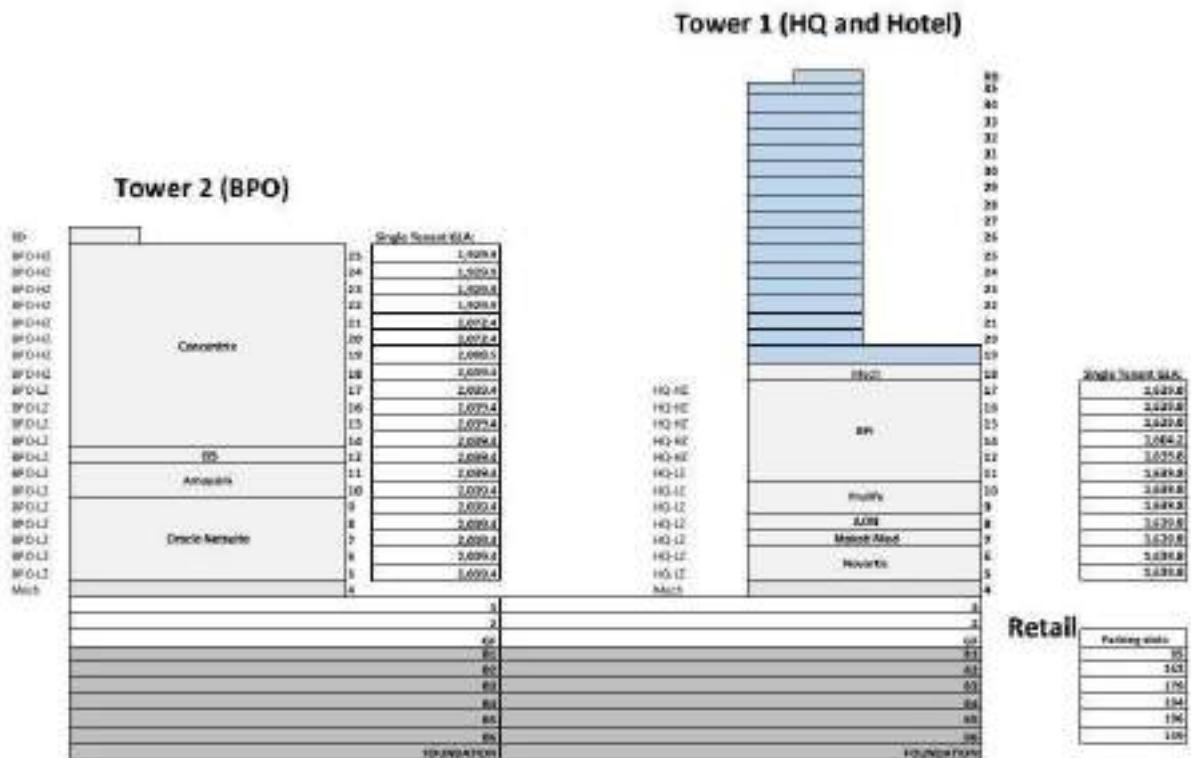
**Ayala North Exchange**

This consists of two towers, designated as Towers 1 and 2 on top of a 3-level podium and 6-level basements. Tower 1 (HQ and Service Apartments) comprises offices from 5<sup>th</sup> to 17<sup>th</sup> floors and serviced apartments together with its other amenities and back of house area from the 18<sup>th</sup> to 35<sup>th</sup> floors. Tower 2 (BPO) comprises of BPO offices on the 5<sup>th</sup> to 25<sup>th</sup> floors, 4<sup>th</sup> and 18<sup>th</sup> floors of Towers 1 and 2 are machine rooms. The podium, ground to third floors are retail areas and the basements are used as parking.

This is reinforced concrete framed building having reinforced concrete slab roof deck; pre-cast concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

This is equipped with 100% back-up generators; a centralized chilled water system; 986 parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Total floor area is 120,090.25-square meter.

Graphical Representation of Ayala North Exchange



## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php599,833,965 including dues-net, and average lease rates are Php677/sq.m./mo. for office on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 3% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PHP) AYALA NORTH EXCHANGE - BPO														
<b>STATISTICS</b>														
Estimated Leasable Area														
5th to 25th Floors	Office Space	61,723.96	sq.m.	Ave. Lease Rate on Yr. 1 Php677/sq.m./mo.										
Vacancy Rate (incl. bad debts)	4%	of gross revenues	(ave.)											
Terminal Capitalization Rate		6.51157%												
Discount Rate		9.51157%												
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
<b>GROSS REVENUES</b>			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b> <b>11</b>
	Escalation	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces		-	-	-	-	-	-	-	-	-	-	-	-	-
Retails		-	-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>														
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	4%	of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>599,833,965</b>	<b>624,341,942</b>	<b>624,173,981</b>	<b>635,399,078</b>	<b>661,278,130</b>	<b>681,116,474</b>	<b>701,549,968</b>	<b>722,596,468</b>	<b>744,274,362</b>	<b>766,602,592</b>	<b>6,761,166,960</b>	<b>789,600,670</b>
<b>LESS: OPERATING EXPENSES</b>														
	Php(000)													
Direct Operating Expenses														
Outside services			11,114,688	11,459,244	11,814,480	12,180,729	12,558,332	12,935,082	13,323,134	13,722,828	14,134,513	14,558,548	127,801,577	
Repairs and maintenance			14,010,304	14,444,623	14,892,406	15,354,071	15,830,047	16,304,949	16,794,097	17,297,920	17,816,858	18,351,363	161,096,638	
Miscellaneous			1,461,010	1,506,302	1,552,997	1,601,140	1,650,775	1,700,299	1,751,308	1,803,847	1,857,962	1,913,701	16,799,341	
Land lease			47,668,810	49,477,633	49,028,001	49,926,775	52,208,172	53,774,417	55,387,650	57,049,279	58,760,757	60,523,580	533,805,075	
Building lease			-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses			62,559,785	62,963,783	63,214,461	63,283,026	63,440,130	65,343,334	67,303,634	69,322,743	71,402,426	73,544,499	662,377,822	
Management fees			43,925,175	44,796,378	46,596,377	48,570,077	50,512,361	52,027,732	53,588,564	55,196,220	56,852,107	58,557,670	510,622,660	
Insurance			4,954,944	5,108,547	5,266,912	5,430,186	5,598,522	5,766,477	5,939,472	6,117,656	6,301,186	6,490,221	56,974,122	
Others			2,371,926	2,445,456	2,505,208	2,566,812	2,630,326	2,709,236	2,790,513	2,874,229	2,960,456	3,049,269	26,903,433	
			188,066,643	192,201,966	194,870,842	198,912,817	204,428,666	210,561,526	216,878,371	223,384,722	230,086,264	236,988,852	2,096,380,669	244,098,518
General Administrative Expenses			2,331,631	2,403,912	2,478,433	2,555,265	2,634,478	2,713,512	2,794,918	2,878,765	2,965,128	3,054,082	26,810,124	3,145,704
Capital Expenditures			53,053,308	17,186,967	17,030,779	17,342,985	18,135,470	18,679,534	19,239,920	19,817,118	20,411,632	21,023,980	221,921,695	21,654,700
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>243,451,583</b>	<b>211,792,845</b>	<b>214,380,055</b>	<b>218,811,067</b>	<b>225,198,614</b>	<b>231,954,572</b>	<b>238,913,209</b>	<b>246,080,606</b>	<b>253,463,024</b>	<b>261,066,914</b>	<b>2,345,112,489</b>	<b>268,898,922</b>
<b>NET INCOME</b>			<b>356,382,382</b>	<b>412,549,097</b>	<b>409,793,926</b>	<b>416,588,011</b>	<b>436,079,517</b>	<b>449,161,902</b>	<b>462,636,759</b>	<b>476,515,862</b>	<b>490,811,338</b>	<b>505,535,678</b>	<b>4,416,054,472</b>	<b>520,701,748</b>
<b>ADD: Reversion Value (Resale Value)</b>														7,996,562,246
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														<b>7,996,562,246</b>
Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		0.40309
<b>Present Worth of Net Income</b>			<b>325,428,977</b>	<b>343,997,773</b>	<b>312,022,205</b>	<b>289,645,474</b>	<b>276,863,472</b>	<b>260,401,140</b>	<b>244,917,659</b>	<b>230,354,828</b>	<b>216,657,905</b>	<b>203,775,402</b>	<b>2,704,064,836</b>	
<b>Present Worth of Net Reversion Value</b>														<b>3,223,318,865</b>
<b>Total Present Value of Net Income</b>														<b>2,704,064,836</b>
<b>Present Worth of Net Reversion Value</b>														<b>3,223,318,865</b>
<b>Total</b>														<b>5,927,383,701</b>
<b>Market Value of Property (building and its facilities)</b>														<b>PHP 5,927,383,701</b>
<b>Rounded to</b>														<b>PHP 5,927,384,000</b>

On the basis of the foregoing, the market value of the **Ayala North Exchange - BPO (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php5,927,384,000**.

**MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**AYALA NORTH EXCHANGE - HQ**

Located at  
**No. 6796 Ayala Avenue corner Salcedo Street  
Legaspi Village, Makati City, Metro Manila**

30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

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## CUERVO APPRAISERS, INC.

By:



### LIBERTY SANTIAGO-AÑO, IPA, MRICS

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig



30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-002A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the market value of the property intended for REIT Law / Annual reports for REIT properties use as of **31 December 2023**.

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the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

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Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **THREE BILLION ONE HUNDRED FIFTY-FIVE MILLION NINE HUNDRED SEVENTY-NINE THOUSAND (Php3,155,979,000) PESOS.**

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:moa

**CAI File No. 11-2023-1072-002A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-002A**

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located on the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the clients and as shown to us by the client's representative, the appraised property is the **AYALA NORTH EXCHANGE – HQ**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The site of Ayala North Exchange is bounded by Amorsolo Street on the northwest, Ayala Avenue on the northeast and Salcedo Street on the southeast, it is located approximately 220-meter northwest from V. A. Rufino Street; 390 meters southwest from Ayala Avenue near PBCOM Tower; 680 meters northwest from the corner of Paseo De Roxas and Ayala Avenue near Tower One and Exchange Plaza; 1.08 kilometers northwest from Makati Avenue; and about 1.82 kilometers northwest from Epifanio Delos Santos Avenue near Ayala MRT Station.

Ayala Avenue, Amorsolo and Salcedo Streets are correspondingly 40, 12 and 12 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage, the former has a center island.

### **III. NEIGHBORHOOD DATA**

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- GT Tower
- LKG Tower
- PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the Ayala Avenue by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

**V. AYALA NORTH EXCHANGE**

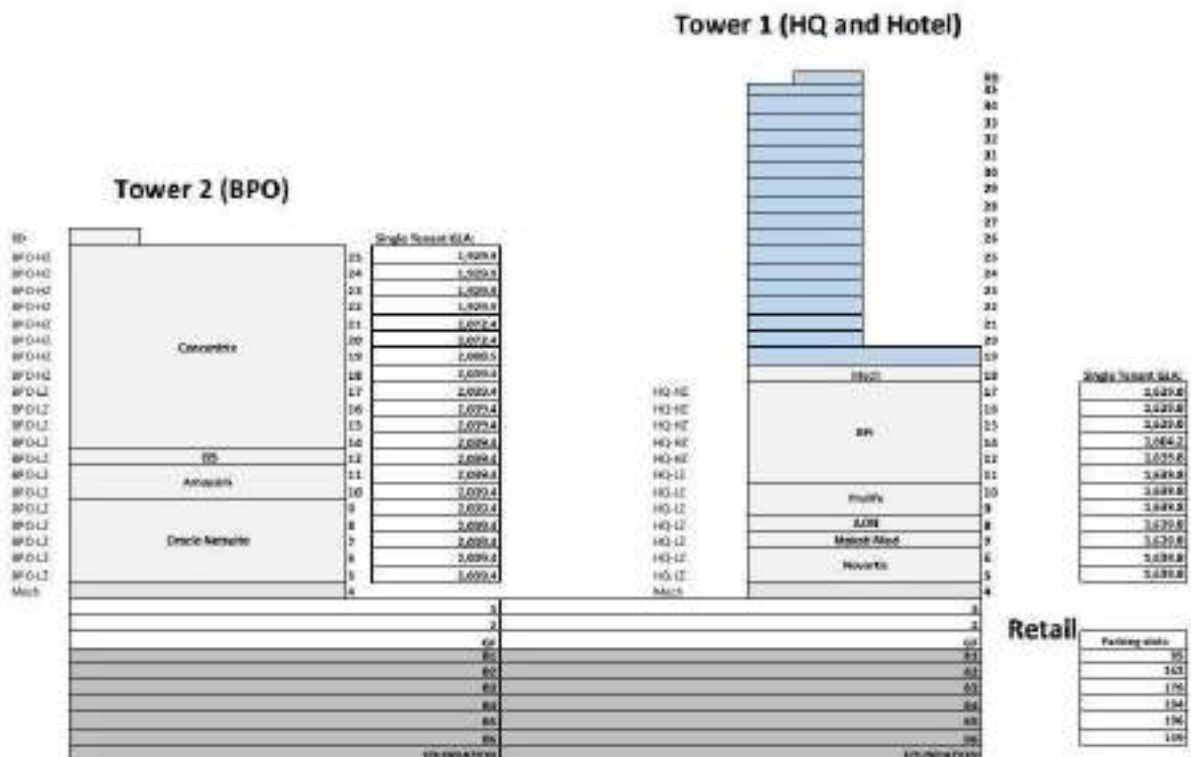
**Ayala North Exchange**

This consists of two towers, designated as Towers 1 and 2 on top of a 3-level podium and 6-level basements. Tower 1 (HQ and Service Apartments) comprises offices from 5<sup>th</sup> to 17<sup>th</sup> floors and serviced apartments together with its other amenities and back of house area from the 18<sup>th</sup> to 35<sup>th</sup> floors. Tower 2 (BPO) comprises of BPO offices on the 5<sup>th</sup> to 25<sup>th</sup> floors, 4<sup>th</sup> and 18<sup>th</sup> floors of Towers 1 and 2 are machine rooms. The podium, ground to third floors are retail areas and the basements are used as parking.

This is reinforced concrete framed building having reinforced concrete slab roof deck; pre-cast concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

This is equipped with 100% back-up generators; a centralized chilled water system; 986 parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Total floor area is 120,090.25-square meter.

Graphical Representation of Ayala North Exchange



## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate of Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php251,270,152 including dues-net on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 3% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.30% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.



Discounted Cash Flow Analysis (in PhP)														
AYALA NORTH EXCHANGE - HQ														
<b>STATISTICS</b>														
Gross Leasable Area	-	Office Space	21,367.76	sq.m.	Ave. Lease Rate on Yr. 1 Php704/sq.m./mo.									
Vacancy Rate (incl. bad debts)	34% of gross revenues		(ave.)											
Terminal Capitalization Rate	6.51157%													
Discount Rate	9.51157%													
Present Worth Factor			0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	-	-	-	-	-	-	-	-	-	-	-
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Retails			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	34% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>251,270,152</b>	<b>341,641,994</b>	<b>330,309,598</b>	<b>334,954,207</b>	<b>350,720,001</b>	<b>361,241,601</b>	<b>372,078,849</b>	<b>383,241,214</b>	<b>394,738,451</b>	<b>406,580,604</b>	<b>3,526,776,670</b>	<b>418,778,022</b>
<b>LESS: OPERATING EXPENSES</b>		Php(000)												
Direct Operating Expenses														
Outside services			8,893,753	9,169,459	9,453,713	9,746,778	10,048,928	10,350,396	10,660,908	10,980,735	11,310,157	11,649,462	102,264,288	
Repairs and maintenance			9,069,009	9,350,149	9,640,003	9,938,844	10,246,948	10,554,356	10,870,987	11,197,116	11,533,030	11,879,021	104,279,463	
Miscellaneous			858,677	885,296	912,740	941,035	970,207	999,313	1,029,293	1,060,172	1,091,977	1,124,736	9,873,446	
Land lease			19,419,901	26,959,385	25,413,188	25,343,411	27,043,803	27,855,117	28,690,770	29,551,493	30,438,038	31,351,179	272,066,286	
Building lease			-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses			22,766,770	22,464,040	23,160,064	23,093,859	23,148,050	23,842,492	24,557,767	25,294,500	26,053,335	26,834,935	241,215,811	
Management fees			20,559,766	27,344,179	26,249,800	26,338,283	27,857,635	28,693,364	29,554,165	30,440,790	31,354,014	32,294,634	280,686,631	
Insurance			2,714,537	2,798,688	2,885,447	2,974,896	3,067,118	3,159,131	3,253,905	3,351,522	3,452,068	3,555,630	31,212,940	
Others			1,822,253	1,878,743	1,936,984	1,997,030	2,058,938	2,120,706	2,184,327	2,249,857	2,317,353	2,386,873	20,953,064	
			86,104,666	100,849,939	99,651,938	100,374,135	104,441,627	107,574,875	110,802,122	114,126,185	117,549,971	121,076,470	1,062,551,929	124,708,764
General Administrative Expenses			2,394,373	2,468,598	2,545,125	2,624,024	2,705,369	2,786,530	2,870,126	2,956,229	3,044,916	3,136,264	27,531,553	3,230,352
Capital Expenditures			6,745,860	9,364,839	8,827,739	8,803,501	9,394,163	9,675,988	9,966,268	10,265,256	10,573,213	10,890,410	94,507,236	11,217,122
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>95,244,899</b>	<b>112,683,376</b>	<b>111,024,802</b>	<b>111,801,660</b>	<b>116,541,158</b>	<b>120,037,393</b>	<b>123,638,515</b>	<b>127,347,670</b>	<b>131,168,100</b>	<b>135,103,143</b>	<b>1,184,590,718</b>	<b>139,156,238</b>
<b>NET INCOME</b>			<b>156,025,253</b>	<b>228,958,617</b>	<b>219,284,796</b>	<b>223,152,547</b>	<b>234,178,842</b>	<b>241,204,208</b>	<b>248,440,334</b>	<b>255,893,544</b>	<b>263,570,350</b>	<b>271,477,461</b>	<b>2,342,185,952</b>	<b>279,621,784</b>
<b>ADD: Reversion Value (Resale Value)</b>														4,294,229,878
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														<b>4,294,229,878</b>
Present Worth Factor @	9.51157%	discount rate	0.91315	0.83383	0.76141	0.69528	0.63489	0.57975	0.52940	0.48341	0.44143	0.40309	0.40309	
<b>Present Worth of Net Income</b>			<b>142,473,761</b>	<b>190,913,651</b>	<b>166,966,178</b>	<b>155,153,590</b>	<b>148,678,314</b>	<b>139,837,885</b>	<b>131,523,109</b>	<b>123,702,731</b>	<b>116,347,353</b>	<b>109,429,326</b>	<b>1,425,025,899</b>	
<b>Present Worth of Net Reversion Value</b>														<b>1,730,952,846</b>
<b>Total Present Value of Net Income</b>														<b>1,425,025,899</b>
<b>Present Worth of Net Reversion Value</b>														<b>1,730,952,846</b>
<b>Total</b>														<b>3,155,978,745</b>
<b>Market Value of Property (building and its facilities)</b>														<b>PhP 3,155,978,745</b>
<b>Rounded to</b>														<b>PhP 3,155,979,000</b>

On the basis of the foregoing, the market value of the **Ayala North Exchange - HQ (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php3,155,979,000**.

**MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**AYALA NORTH EXCHANGE - RETAIL**

Located at  
**No. 6796 Ayala Avenue corner Salcedo Street  
Legaspi Village, Makati City, Metro Manila**

30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 30 January 2024. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

### Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

### Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 38 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



### LIBERTY SANTIAGO-AÑO, IPA, MRICS

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 1714613

09 January 2024

City of Pasig

30 January 2024

**AREIT, INC.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Avenue, Ayala Triangle  
Makati City, Metro Manila

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2023-1072-003A**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the market value of the property intended for REIT Law / Annual reports for REIT properties use as of **31 December 2023**.

The appraised property is the **AYALA NORTH EXCHANGE - RETAIL (building and its facilities)**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **SIX HUNDRED SIXTY MILLION FOUR HUNDRED THIRTEEN THOUSAND (Php660,413,000) PESOS.**

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**ENGR. ANGELO V. SAN ANTONIO**  
**Department Manager - Real Estate**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3601688

12 January 2024

City of Malolos

AVS:moa

**CAI File No. 11-2023-1072-003A**

**LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 11-2023-1072-003A**



## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located on the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the clients and as shown to us by the client's representative, the appraised property is the **AYALA NORTH EXCHANGE – RETAIL**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila, Metro Manila**.

The site of Ayala North Exchange is bounded by Amorsolo Street on the northwest, Ayala Avenue on the northeast and Salcedo Street on the southeast, it is located approximately 220-meter northwest from V. A. Rufino Street; 390 meters southwest from Ayala Avenue near PBCOM Tower; 680 meters northwest from the corner of Paseo De Roxas and Ayala Avenue near Tower One and Exchange Plaza; 1.08 kilometers northwest from Makati Avenue; and about 1.82 kilometers northwest from Epifanio Delos Santos Avenue near Ayala MRT Station.

Ayala Avenue, Amorsolo and Salcedo Streets are correspondingly 40, 12 and 12 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage, the former has a center island.

### **III. NEIGHBORHOOD DATA**

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- GT Tower
- LKG Tower
- PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the Ayala Avenue by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

V. **AYALA NORTH EXCHANGE**

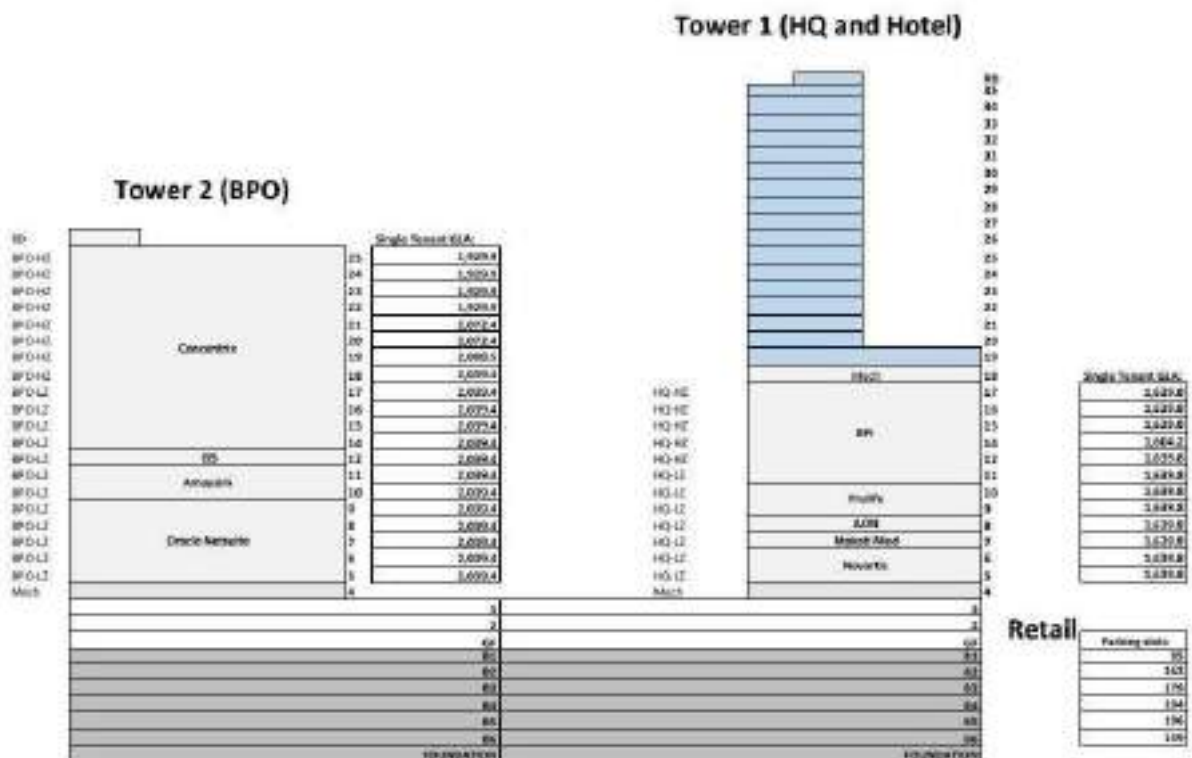
**Ayala North Exchange**

This consists of two towers, designated as Towers 1 and 2 on top of a 3-level podium and 6-level basements. Tower 1 (HQ and Service Apartments) comprises offices from 5<sup>th</sup> to 17<sup>th</sup> floors and serviced apartments together with its other amenities and back of house area from the 18<sup>th</sup> to 35<sup>th</sup> floors. Tower 2 (BPO) comprises of BPO offices on the 5<sup>th</sup> to 25<sup>th</sup> floors. 4<sup>th</sup> and 18<sup>th</sup> floors of Towers 1 and 2 are machine rooms. The podium, ground to third floors are retail areas and the basements are used as parking.

This is reinforced concrete framed building having reinforced concrete slab roof deck; pre-cast concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

This is equipped with 100% back-up generators; a centralized chilled water system; 986 parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Total floor area is 120,090.25-square meter.

Graphical Representation of Ayala North Exchange



## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate of Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php86,649,535 including dues-net, and average lease rates are Php934/sq.m./mo. for retail on year 1 considering prevailing market lease rates, lease contracts, vacancy and bad debts, and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 2% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.51157% using weighted average cost of capital(WACC); and
7. Terminal capititation rate is estimated at 6.51157% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.



On the basis of the foregoing, the market value of the **Ayala North Exchange - Retail (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php660,413,000**.

January 13, 2023

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Alexandra D. Tom Wong  
Officer-in-Charge, Disclosure Department

Subject: 2022 Fourth Quarter Progress Report on the Disbursement of Proceeds from the Sale of  
87.37 million AREIT Shares

Dear Ms. Tom Wong,

We are pleased to submit our Progress Report on the Application of Proceeds for the Fourth Quarter of 2022, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.


Please be advised that from October 1 to December 31, 2022, Ayala Land disbursed proceeds amounting to One Billion One Hundred Sixty Million Eight Hundred Fifty Seven Thousand Seven Hundred Ninety Four and Fifty Two Centavos (Php1,160,857,794.52).

The details of the disbursement for the Fourth Quarter of 2022 are as follows:

Balance of Proceeds from sale of AREIT Shares as of September 30, 2022	Php1,160,857,794.52
Less: Disbursements from October 1, 2022 to December 31, 2022 (Annex A)	<u>(1,160,857,794.52)</u>
Balance of Proceeds from sale of AREIT Shares as of December 31, 2022	<u>0</u>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer and Chief Finance Officer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Chief Finance and Compliance Officer



SUBSCRIBED AND SWORN to before me this JAN 13 2023 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. <i>Represented by:</i> Augusto D. Bengzon	TIN: 000-153-790-000  Passport No. P43233528	  08 Jan 2020/ DFA NCR East
AREIT, Inc. <i>Represented by:</i> Ma. Teresa R. Famy	TIN: 006-346-689-000  Driver's License No. D06-97-186463	  Expiration Date 05 Dec 2023

Doc. No. 242  
Page No. 50  
Book No. 11  
Series of 2023.

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



*[Signature]*  
MA FELORA A. MANGAWANG  
Notary Public - Makati City  
Appt. No. M-257 until December 31, 2023  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
IBP No. MKT 9569573 - 1/9/2023 - Makati City  
MCLE Compliance No. VII-0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**ANNEX A- Disbursements from October 1 to December 31, 2022**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount (in PHP)</b>
Ayala Land Inc.	Caloocan Property	156,950,720.00
ALI Eton Property Development Corporation (a 50:50 JV between ALI and EPPI)	Quezon City Property	849,000,000.00
Ayala Land Inc.	One Vertis Plaza	154,907,074.52
<b>TOTAL</b>		<b>1,160,857,794.52</b>

**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

31st Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**  
Chief Finance Officer

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **December 31, 2022** on the use of the proceeds received by **Ayala Land, Inc.** (the "Company") from the block sale of its shares in **AREIT, Inc.** ("AREIT") on **May 2, 2022**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

- I. Obtain the Quarterly Progress Summary Report on Use of Proceeds from the Block Sale of AREIT Shares (the "Schedule") and perform the following:
  - Check the mathematical accuracy of the Schedule;
  - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
  - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records;
  - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked whether there are additions and disbursements in the Schedule with the schedule of application of proceeds. No exceptions noted.
3. On a sample basis, we also traced the amounts disbursed for the following projects amounting to ₱1,160.86 million for the periods from October 1, 2022 up to December 31, 2022 to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

<b>Distributing Entity</b>	<b>Project Name</b>	<b>Amount</b>
Ayala Land, Inc.	Caloocan Property	₱156,950,720
	One Vertis Plaza	154,907,075
ALI Eton Property Development Corporation	Quezon City Property	849,000,000
		<b>₱1,160,857,795</b>

4. On a sample basis, we inquired into and identified the nature of the disbursements. We have noted the Amended Reinvestment Plan dated January 9, 2023 included the proceeds from the block sale of AREIT. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use proceeds from the block sale of AREIT shares as documented in the Amended Reinvestment Plan. No exceptions noted.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the accounts of the Company or its financial statements, taken as a whole.

Had we performed additional procedures or performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of proceeds from the offering and items specified above and do not extend to any financial statements of the Company taken as a whole.

**SYCIP GORRES VELAYO & CO.**



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 89336-SEC (Group A)

Valid to cover audit of 2022 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564691, January 3, 2023, Makati City

**ACKNOWLEDGMENT**

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY ) S.S.

I certify that on **JAN 13 2023** before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

Name	Competent Evidence of Identity	Date / Place Issued
Michael C. Sabado	P1178919B	March 25, 2019/DFA

who were identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 22 ;  
Page No. 6 ;  
Book No. 6 ;  
Series of 2023.

**JR**  
**JOSHUA P. LAPUZ**  
Notary Public for Makati City  
Appointment No. M-19 / Until 12-31-23  
Roll No. 45790 / IBP Lifetime No. 04697 / 07-03-03  
PTR O.R. No. 9563523 / 01-03-23 / Makati City  
MCLE No. VII-0016370 / 04-26-22 Until 04-14-25  
G/F Fodman Suite, 139 Salcedo St.  
Legaspi Village, Makati City

January 13, 2023

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Alexandra D. Tom Wong  
Officer-in-Charge, Disclosure Department

Subject: Final Report on the Disbursement of Proceeds from the Sale of 87.37 million AREIT Shares

Dear Ms. Tom Wong,

We are pleased to submit our Final Report on the Application of Proceeds from the sale of 87.37 million AREIT Shares at a transaction price of PHP39.70 per share, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On May 2, 2022, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 87.37 million AREIT Shares amounting to Three Billion Four Hundred Forty-Four Million Four Hundred Twelve Thousand Nine Hundred Thirty-Four Pesos and Sixty-Seven Centavos (Php3,444,412,934.67).

As of December 31, 2022, ALI already disbursed the total net proceeds amounting to Three Billion Four Hundred Forty-Four Million Four Hundred Twelve Thousand Nine Hundred Thirty-Four Pesos and Sixty-Seven Centavos (Php3,444,412,934.67) in accordance with its Reinvestment plan.

The details of the disbursements are as follows:

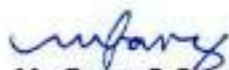
Net Proceeds from sale of 87.37 million AREIT Shares as of May 2, 2022	Php3,444,412,934.67
Less: Disbursements from May 2, 2022 to December 31, 2022 (Annex A)	(3,444,412,934.67)
Balance of Proceeds from sale of AREIT Shares as of December 31, 2022	<u>0</u>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer and Chief Finance Officer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Chief Finance and Compliance Officer

SUBSCRIBED AND SWORN to before me this JAN 13 2023 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. Represented by: Augusto D. Bengzon	TIN: 000-153-790-000 Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc. Represented by: Ma. Teresa R. Famy	TIN: 006-346-689-000 Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

Doc. No. 241  
Page No. 50  
Book No. 1V  
Series Fj 2023.



*[Signature]*  
MA. FELORA A. MANGAWANG  
Notary Public - Makati City  
Appt. No. M-257 until December 31, 2023  
Roll of Attorneys No. 64804  
Lifetime RP No. 011749 - Makati City  
PTR No. ~~MKT 0569473-1/9/2023~~ - Makati City  
MCLC Compliance No. VII-0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

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



**ANNEX A- Disbursements from May 2 to December 31, 2022**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount (in PHP)</b>
Ayala Land Inc.	Caloocan Property	156,950,720.00
ALI Eton Property Development Corporation (a 50:50 JV between ALI and EPPI)	Quezon City Property	2,099,000,000.00
Laguna Technopark Inc.	Batangas Property	745,000,000.00
Ayala Land Inc.	Cavite Property	108,135,603.24
Ayala Land Inc.	One Vertis Plaza	265,207,485.21
Ayala Land Inc.	Andacillo	70,119,126.22
<b>TOTAL</b>		<b>3,444,412,934.67</b>

**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

31st Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**  
Chief Finance Officer

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Final Report as at **December 31, 2022** on the use of the proceeds received by **Ayala Land, Inc.** (the "Company") from the block sale of its shares in **AREIT, Inc.** ("AREIT") on **May 2, 2022**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the Quarterly Progress Summary Report on Use of Proceeds from the Block Sale of AREIT Shares (the "Schedule") and perform the following:
  - Check the mathematical accuracy of the Schedule;
  - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
  - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records;
  - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked the additions and disbursements in the Schedule with the schedule of application of proceeds. No exceptions noted.
3. On a sample basis, we traced the additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records. We noted the amounts disbursed for the following projects amounting to P3,444.41 million for the periods from May 2 up to December 31, 2022. No exceptions noted.

<b>Distributing Entity</b>	<b>Project Name</b>	<b>Amount</b>
	Andacillo	P70,119,127
Ayala Land, Inc.	Caloocan Property	156,950,720
	Cavite Property	108,135,603
	One Vertis Plaza	265,207,485
ALI Eton Property Development Corporation	Quezon Property	2,099,000,000
Laguna Technopark Inc.	Batangas Property	745,000,000
		<b>P3,444,412,935</b>

4. On a sample basis, we inquired into and identified the nature of the disbursements. We have noted the Amended Reinvestment Plan dated January 9, 2023 included the proceeds from the block sale of AREIT. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use proceeds from the block sale of AREIT shares as documented in the Amended Reinvestment Plan. No exceptions noted.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the accounts of the Company or its financial statements, taken as a whole.

Had we performed additional procedures or performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.



Building a better  
working world

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of proceeds from the offering and items specified above and do not extend to any financial statements of the Company taken as a whole.

**SYCIP GORRES VELAYO & CO.**

Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 89336-SEC (Group A)

Valid to cover audit of 2022 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9564691, January 3, 2023, Makati City

**ACKNOWLEDGMENT**

**REPUBLIC OF THE PHILIPPINES** )  
**MAKATI CITY** ) S.S.

I certify that on **JAN 13 2023** before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

Name	Competent Evidence of Identity	Date / Place Issued
Michael C. Sabado	P1178919B	March 25, 2019/DFA

who were identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 21 ;  
Page No. 6 ;  
Book No. 6 ;  
Series of 2023.

**JR**  
**JOSHUA P. LAPUZ**  
Notary Public for Makati City  
Appointment No. M-19 / Until 12-31-23  
Roll No. 45790 / IBP Lifetime No. 04897 / 07-03-03  
PTR O.R. No. 9563523 / 01-03-23 / Makati City  
MCLE No. VII-0016370 / 04-15-22 Until 04-14-25  
G/F Fedman Suliza - 06 Salcedo St.  
Legaspi Village, Makati City

January 15, 2022

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

Subject: Final Report on the Disbursement of Proceeds from the First Tranche of the Sale of  
The 30th Commercial Development ("The 30<sup>th</sup>") to AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

We are pleased to submit our Final Report on the Application of Proceeds for the first tranche from the Sale of The 30th to AREIT., duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 15, 2021, Ayala Land, Inc. ("ALI") received net proceeds from Sale of The 30th amounting to Nine Hundred Twelve Million Eight Hundred Sixty Seven Thousand Eight Hundred Fifty Seven Pesos and Fourteen Centavos (Php912,867,857.14).

As of January 15, 2022, ALI already disbursed the total net proceeds amounting to Three Billion Fifty-One Million Four Hundred Three Thousand Nine Hundred Forty-Seven Pesos and Two Centavos (Php3,051,403,947.02), in accordance with its Reinvestment plan.

The details of the disbursement are as follows:

Proceeds from Sale of The 30th, January 15, 2021 (Initial payment)	Php912,867,857.14
Proceeds from Sale of The 30th, January 29, 2021 (Final payment)	3,651,417,857.14
Total Proceeds from Sale of The 30 <sup>th</sup>	<u>4,564,285,714.28</u>
Less: Disbursements from January 16, 2021 to January 15, 2022	<u>3,051,403,947.02</u>
Balance of Proceeds from Sale of The 30 <sup>th</sup>	<u>Php1,512,881,767.26</u>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer and Chief Finance Officer




**Ma. Teresa R. Fajon**  
AREIT, Inc.  
Chief Finance and Compliance Officer

SUBSCRIBED AND SWORN to before me this JAN 17 2022 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. <i>Represented by:</i> Augusto D. Bengzon	TIN: 000-153-790-000 Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc. <i>Represented by:</i> Ma. Teresa R. Famy	TIN: 006-346-689-000 Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

Doc No. 338 ;  
Page No. 6A ;  
Book No. W ;  
Series of 2022 ;



  
MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ  
Notary Public - Makati City  
App't. No. M-154 until December 31, 2021  
Roll of Attorneys No. 60896  
IBP No. 136246 - 12/21/2020 - Makati City  
PTR No. MKT8862852 - 01/11/2022 - Makati City  
MCLE Compliance No. VI-0609482 - 06/20/2018  
21th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**Annex A – Disbursements from January 16, 2021 to January 15, 2022**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount (in PHP)</b>
ALI Eton Property Development Corporation	Parklinks	833,000,000.00
Cebu District Property Enterprise, Inc.	Gateway Central	164,024,444.13
ALI Commercial Center Inc	One Ayala (Malls)	384,716,788.50
ALI Commercial Center Inc	One Ayala (BPO)	558,480,000.00
Unity Realty & Dev't Corp.	Pampanga Property	268,146,791.79
Ayala Land, Inc.	Tarlac Property	400,000,000.00
Ayala Land Inc.	Arbor Lanes 1-5	97,190,715.62
Ayala Land Inc.	Avida Towers Vireo T1-3	77,646,815.35
Ayala Land Inc.	Avida Towers Sola T1-2	40,153,422.48
Amaia Land Corp.	Cavite Property	77,044,969.15
Amaia Land Corp.	Quezon City Property	61,000,000.00
Laguna Technopark Inc.	Cavite Property	90,000,000.00
<b>TOTAL</b>		<b>3,051,403,947.02</b>



**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**  
31st Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**  
Chief Finance Officer

---

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached first tranche Final Report as at **December 31, 2021** on the use of the proceeds from the sale of The 30th Commercial Development to AREIT, Inc. on **January 15, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the first tranche Final Report on Use of Proceeds from the sale of The 30th Commercial Development to AREIT, Inc. (the "Schedule") and perform the following:
  - Check the mathematical accuracy of the Schedule;
  - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
  - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records.
  - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of sale of The 30<sup>th</sup> proceeds.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked whether there are additions and disbursements in the schedule and compared with the schedule of application of proceeds.
3. We traced the receipt of the net proceeds to the Bank Statements, noted the following:
  - The Company received total proceeds approximately P4,564 million, exclusive of tax or P5,112 million, VAT inclusive.
  - The Company received P913 million on January 15, 2021 for the first tranche.
  - The remaining P3,651 million exclusive of VAT was received on January 29, 2021.

We also checked the entry made in the books of the Company. No exceptions noted.

4. We traced the disbursements to the supporting documents. We have noted that the Company issued intercompany loans to the following companies to be used in the projects specified:

Distributing Entity	Amount	Project Name
ALI Eton Property Development Corporation	P 833,000,000.00	Parlinks (Mixed-use)
Cebu District Property Enterprise, Inc.	164,024,444.13	Gatewalk Central (Malls & Offices)
Unity Realty & Dev't Corp.	268,146,791.79	Pampanga Property
ALI Commercial Center Inc	943,196,788.50	One Ayala (Malls & BPO)
Amaia Land Corp	77,044,969.15	Cavite Property
Amaia Land Corp	61,000,000.00	Quezon City Property
Laguna Technopark Inc	90,000,000.00	Cavite Property
	<b>P2,436,412,993.57</b>	

We have traced these amounts to the promissory note and bank statements and agreed the amounts to the accounting records. No exceptions noted.

We also traced the amounts disbursed for the following projects amounting to P615 million to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

Project Name	Amount
Arbor Lanes 1-5	P97,190,715.62
Avida Towers Vireo T1-3	77,646,815.35
Avida Towers Sola T1-2	40,153,422.48
Tarlac Property	400,000,000
	<b>P614,990,953.45</b>

5. We inquired into and identified the nature of the disbursements. We have noted the Amended Reinvestment Plan dated December 22, 2021 included the proceeds from the sale of The 30<sup>th</sup> Commercial Development to AREIT, Inc. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of 30<sup>th</sup> proceeds as documented in the Amended Reinvestment Plan. We have noted that the abovementioned entities and the related projects were included in the Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the accounts of the Company or its financial statements, taken as a whole.

Had we performed additional procedures or performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of proceeds from the sale and items specified above and do not extend to any financial statements of the Company taken as a whole.

**SYCIP GORRES VELAYO & CO.**



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0664-AR-4 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854360, January 3, 2022, Makati City

**ACKNOWLEDGMENT**

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY ) S.S.

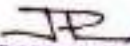
I certify that on 17 JAN 2022, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

Name	Competent Evidence of Identity	Date / Place Issued
Michael C. Sabado	P1178919B	March 25, 2019/DFA

who were identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 88 ;  
Page No. 13 ;  
Book No. 4 ;  
Series of 2021. 2022

  
**ATTY. JOSHUA P. LAPUZ**  
Notary Public for Makati City  
Appointment No. M-19 until 12/31/2023  
Roll No. 45790 / IBP Life No. 04097 / 07-03-03  
PTR - O.R. No. 8852510 / 01-03-22 / Makati City  
MCLE No VI-0016565 / 01-14-19  
G/F Pedraza Suites, 109 Salcedo Street,  
Legaspi Village, Makati City

January 28, 2022

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

Subject: Final Tranche Final Report on the Disbursement of Proceeds from the Sale of The 30th Commercial Development ("The 30<sup>th</sup>") to AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

We are pleased to submit the Final Report on the Application of Proceeds for the final tranche from the Sale of The 30th to AREIT, Inc., duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 29, 2021, Ayala Land, Inc. ("ALI") received net proceeds from the Sale of The 30th amounting to Three Billion Six Hundred Fifty One Million Four Hundred Seventeen Thousand Eight Hundred Fifty Seven Pesos and Fourteen Centavos (Php3,651,417,857.14).

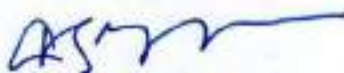
As of January 28, 2022, ALI already disbursed the total net proceeds amounting to Four Billion Five Hundred Sixty-Four Million Two Hundred Eighty-Five Thousand Seven Hundred Fourteen and Twenty-Eight Centavos (Php4,564,285,714.28), in accordance with its Reinvestment plan.

The details of the disbursement are as follows:

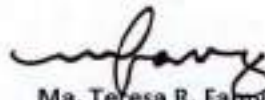
Proceeds from Sale of The 30th, January 15, 2021 (Initial payment)	Php912,867,857.14
Proceeds from Sale of The 30th, January 29, 2021 (Final payment)	3,651,417,857.14
Total Proceeds from Sale of The 30 <sup>th</sup>	Php4,564,285,714.28
Less: Disbursements from January 16, 2021 to January 28, 2022	4,564,285,714.28
Balance of Proceeds from Sale of The 30 <sup>th</sup>	0

Thank you.

Very truly yours,



Augusto D. Bengzon  
Ayala Land, Inc.  
Treasurer and Chief Finance Officer



Ma. Teresa R. Fahmy  
AREIT, Inc.  
Chief Finance and Compliance Officer

SUBSCRIBED AND SWORN to before me this JAN 28 2022 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. <i>Represented by:</i> Augusto D. Bengzon	TIN: 000-153-790-000  Passport No. P4323352B	  08 Jan 2020/ DFA NCR East
AREIT, Inc. <i>Represented by:</i> Ma. Teresa R. Famy	TIN: 006-346-689-000  Driver's License No. D06-97-186463	  Expiration Date 05 Dec 2023

Doc No. 357 ;  
Page No. 73 ;  
Book No. XV ;  
Series of 2022 ;



A handwritten signature in blue ink, appearing to read "MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ".

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. MKT8862852 - 01/11/2022 - Makati City  
MCLE Compliance No. VI-0009482 - 06/20/2018  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

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

**Annex A – Disbursements from January 16, 2021 to January 28, 2022**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount (in PHP)</b>
ALI Eton Property Development Corporation	Parklinks	833,000,000.00
Cebu District Property Enterprise, Inc.	Gatewalk Central	164,024,444.13
ALI Commercial Center Inc	One Ayala (Malls)	384,716,788.50
ALI Commercial Center Inc	One Ayala (BPO)	558,480,000.00
Unity Realty & Dev't Corp.	Pampanga Property	955,000,000.00
Ayala Land, Inc.	Tarlac Property	427,780,654.18
Ayala Land Inc	Arbor Lanes 1-5	97,190,715.62
Ayala Land Inc	Orean Place 1	87,228,373.66
Ayala Land Inc	Avida Towers Vireo T1-3	83,762,364.83
Ayala Land Inc	Avida Towers Sola T1-2	40,153,422.48
Accendo Development Corp	Avida Towers Abreeza T1	119,684,770.86
Amaia Land Corp.	Amaia Steps Alabang Helena	36,520,910.68
Avida Land Inc.	Mandaluyong Property	335,000,000.00
Avida Land Inc.	Iligan Property	81,628,212.80
Avida Land Inc.	Laguna Property	67,035,109.47
Avida Land Inc.	Batangas Property	20,034,977.92
Amaia Land Corp	Cavite Property	77,044,969.15
Amaia Land Corp	Quezon City Property	61,000,000.00
Laguna Technopark Inc	Cavite Property	135,000,000.00
<b>TOTAL</b>		<b>4,564,285,714.28</b>

**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

31st Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**  
Chief Finance Officer

---

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Final Report as at **January 28, 2022** on the use of the proceeds for the final tranche from the sale of The 30th Commercial Development to AREIT, Inc. received on **January 29, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the final tranche Final Report on Use of Proceeds from the sale of The 30th Commercial Development to AREIT, Inc. (the "Schedule") and perform the following:
  - Check the mathematical accuracy of the Schedule;
  - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
  - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records.
  - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of sale of The 30<sup>th</sup> proceeds.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked whether there are additions and disbursements in the schedule and compared with the schedule of application of proceeds.



3. We traced the receipt of the net proceeds to the Bank Statements, noted the following:
- The Company received total proceeds approximately P4,564 million, exclusive of tax or P5,112 million, VAT inclusive.
  - The Company received P913 million on January 15, 2021 for the first tranche.
  - The remaining P3,651 million exclusive of VAT was received on January 29, 2021 for the final tranche.

We also checked the entry made in the books of the Company. No exceptions noted.

4. We traced the disbursements to the supporting documents. We have noted that the Company issued intercompany loans to the following companies to be used in the projects specified:

Distributing Entity	Amount	Project Name
ALI Eton Property Development Corporation	833,000,000.00	Parklinks (Mixed-use)
Cebu District Property Enterprise, Inc.	164,024,444.13	Gateway Central (Malls & Offices)
Unity Realty & Dev't Corp.	955,000,000.00	Pampanga Property
ALI Commercial Center Inc	943,196,788.50	One Ayala (Malls & BPO)
Amaia Land Corp	77,044,969.15	Cavite Property
Amaia Land Corp	61,000,000.00	Quezon City Property
Accendo Development Corp	119,684,770.86	Avida Towers Abreeza T1
Amaia Land Corp.	36,520,910.68	Amaia Steps Alabang Helena
Avida Land Inc.	335,000,000.00	Mandaluyong Property
Avida Land Inc.	81,628,212.80	Iligan Property
Avida Land Inc.	67,035,109.47	Laguna Property
Avida Land Inc.	20,034,977.92	Batangas Property
Laguna Technopark Inc	135,000,000.00	Cavite Property
	<b>P3,828,170,183.51</b>	

We have traced these amounts to the promissory note and bank statements and agreed the amounts to the accounting records. No exceptions noted.

We also traced the amounts disbursed for the following projects amounting to P736 million to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

Project Name	Amount
Arbor Lanes 1-5	97,190,715.62
Avida Towers Vireo T1-3	83,762,364.83
Avida Towers Sola T1-2	40,153,422.48
Tarlac Property	427,780,654.18
Orean Place 1	87,228,373.66
	<b>P736,115,530.77</b>

5. We inquired into and identified the nature of the disbursements. We have noted the Amended Reinvestment Plan dated December 22, 2021 included the proceeds from the sale of The 30<sup>th</sup> Commercial Development to AREIT, Inc. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of 30<sup>th</sup> proceeds as documented in the Amended Reinvestment Plan. We have noted that the abovementioned entities and the related projects were included in the Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the accounts of the Company or its financial statements, taken as a whole.

Had we performed additional procedures or performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of proceeds from the sale and items specified above and do not extend to any financial statements of the Company taken as a whole.

**SYCIP GORRES VELAYO & CO.**



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0664-AR-4 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854360, January 3, 2022, Makati City

**ACKNOWLEDGMENT**

**REPUBLIC OF THE PHILIPPINES** )  
**MAKATI CITY** ) S.S.

**JAN 29 2022**

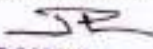
I certify that on \_\_\_\_\_, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

Name	Competent Evidence of Identity	Date / Place Issued
Michael C. Sabado	P1178919B	March 25, 2019/DFA

who were identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc. No. 99 ;  
Page No. 21 ;  
Book No. 4 ;  
Series of 2021. 2022

  
**ATTY. JOSelyn**  
Notary Public for Makati City  
Appointment No. M-19 until 12/31/2023  
Roll No. 45790 / IBP Life No. 00097 / 07-03-03  
PTR - O.R. No. 8852510 / 01-03-22 / Makati City  
MCLE No VI-00165/5 / 01-14-19  
G/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City

July 13, 2023

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Alexandra D. Tom Wong  
Officer-in-Charge, Disclosure Department

Subject: 2023 Second Quarter Progress Report on the Disbursement of Proceeds from the Sale of  
205 million AREIT Shares

Dear Ms. Tom Wong,

We are pleased to submit our Progress Report on the Application of Proceeds for the Second Quarter of 2023, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On April 3, 2023, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 205 million AREIT Shares amounting to Six Billion Five Hundred Thirty-Six Million One Hundred Sixty-Seven Thousand Pesos (Php6,536,167,000).

As of June 30, 2023, ALI already disbursed total net proceeds amounting to Two Billion Seventy-Nine Million Six Hundred Ten Thousand Four Hundred Eighty Pesos (Php2,079,610,480) in accordance with its Reinvestment plan.

The details of the disbursement are as follows:


Net Proceeds from sale of 205 million AREIT Shares as of April 3, 2023	Php6,536,167,000
Less: Disbursements from April 3 to June 30, 2023 (Annex A)	2,079,610,480
Balance of Proceeds from sale of AREIT Shares as of June 30, 2023	<u>4,456,556,520</u>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer and Chief Finance Officer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Chief Finance and Compliance Officer

SUBSCRIBED AND SWORN to before me this JUL 13 2023 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. <i>Represented by:</i> Augusto D. Bengzon	TIN: 000-153-790-000 Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc. <i>Represented by:</i> Ma. Teresa R. Famy	TIN: 006-346-689-000 Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

Doc No. 237 ;  
Page No. 49 ;  
Book No. XVI ;  
Series of 2023 ;

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



  
MA-FLORENCE THERESE D.G. MARTIREZ-CRUZ  
Notary Public - Makati City  
Appt. No. M-258 until December 31, 2023  
Roll of Attorneys No. 60896  
IBP No. 297593 - 02/03/2023 - Makati City  
PTR No. MCT9569474 - 01/09/2023 - Makati City  
MCLC Compliance No. VII - 0018664 - 01/25/2022  
28th Floor, Tower One and Exchange Plaza, Ayala Triangle,  
Ayala Avenue, Makati City, Philippines

**ANNEX A- Disbursements from April 3 to June 30, 2023**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Metro Manila Property	ALI Eton Property Development Corporation (a 50:50 JV Between ALI and EPPI)	820,000,000
Gardencourt Residences	Ayala Land, Inc.	298,235,766
Arbor Lanes	Ayala Land, Inc.	134,967,060
Andacillo	Ayala Land, Inc.	66,584,730
One Vertis Plaza	Ayala Land, Inc.	332,145,298
Orean Place T1	Ayala Land, Inc.	177,595,948
Tryne Enterprise Plaza	Ayala Land, Inc.	145,629,309
Park Cascades	Ayala Land, Inc.	104,452,369
<b>TOTAL</b>		<b>2,079,610,480</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from April 3 to June 30, 2023 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on April 3, 2023 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We also complied with the independence requirements in accordance with Part 4A of the IESBA Code.

Isla Lipana & Co., 29th Floor, AIA Tower (formerly Philamlife Tower), 8767 Paseo de Roxas,  
1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2023, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from April 3 to June 30, 2023 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from April 3 to June 30, 2023 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from April 3 to June 30, 2023 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated April 3, 2023 included the proceeds from the block sale of AREIT amounting to P6,536,167,000. Out of the total proceeds, P2,079,610,480 has been disbursed for the period from April 3 to June 30, 2023 based on the information we obtained from the Company as presented in Appendix A.





**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

  
Ruth F. Blasco

Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 9, 2023, Makati City

SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024  
financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024  
financial statements

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City

July 13, 2023



## Appendix A

Summary of Quarterly Progress Report for the period from April 3 to June 30, 2023


<b>Distributing Entity</b>	<b>Project Name</b>	<b>Amount (in Php)</b>
ALI Eton Property Development Corporation Ayala Land, Inc.	Metro Manila Property	820,000,000
	Gardencourt Residences	298,235,766
	Arbor Lanes	134,967,060
	Andacillo	66,584,730
	One Vertis Plaza	332,145,298
	Orean Place T1	177,595,948
	Tryne Enterprise Plaza	145,629,309
	Park Cascades	104,452,369
<b>Total</b>		<b>2,079,610,480</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

**ACKNOWLEDGEMENT**

JUL 13 2023 SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this \_\_\_ day of July 2023, by RUTH F. BLASCO who presented to me her CPA License ID No. 112595 issued by the Professional Regulation Commission in the City of Manila and valid until October 8, 2023, that she is the same person who personally signed before me the foregoing document and acknowledged that she executed the same.

Doc. No. Q8 :  
Page No. 103 :  
Book No. 10 :  
Series of 2023.

  
**ATTY. JERICO D. VALENCIA**  
Appointment No. M-105  
Notary Public for Makati City  
Valid until 31 December 2023  
29th Floor AIA Tower (formerly Philamife Tower)  
8767 Paseo de Roxas, Makati City 1226  
Rol No. 69819  
PTR No. 9574294; 1/12/2023; Makati City  
IBP Lifetime No. 016813; 7/25/2017; Bataan

October 10, 2023

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Alexandra D. Tom Wong  
Officer-in-Charge, Disclosure Department

Subject: 2023 Third Quarter Progress Report on the Disbursement of Proceeds from the Sale of  
205 million AREIT Shares

Dear Ms. Tom Wong,

We are pleased to submit our Progress Report on the Application of Proceeds for the Third Quarter of 2023, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On April 3, 2023, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 205 million AREIT Shares amounting to Six Billion Five Hundred Thirty-Six Million One Hundred Sixty-Seven Thousand Pesos (Php6,536,167,000).

As of September 30, 2023, the remaining balance of the net proceeds from the sale of 205 million AREIT Shares, amounts to Three Billion Five Hundred Fifty Two Million Nine Hundred Ninety Eight Thousand Six Hundred Seventy Seven Pesos (Php3,552,998,677).

The details of the disbursement for the Third Quarter of 2023 are as follows:

Balance of Proceeds from sale of AREIT Shares as of June 30, 2023	Php4,456,556,520
Less: Disbursements from July 1 to Sept 30, 2023 (Annex A)	<u>903,557,843</u>
Balance of Proceeds from sale of AREIT Shares as of September 30, 2023	<u>Php3,552,998,677</u>

Thank you,

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer and Chief Finance Officer



**Ma. Teresa R. Pamy**  
AREIT, Inc.  
Chief Finance and Compliance Officer


SUBSCRIBED AND SWORN to before me this OCT 10 2023 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. Represented by: Augusto D. Bengzon	TIN: 000-153-790-000 Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc. Represented by: Ma. Teresa R. Famy	TIN: 006-346-689-000 Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

Doc. No. 426 ;  
Page No. 87 ;  
Book No. V ;  
Series of 2023.

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



  
MA FELORA A. MANGAWANG  
Notary Public - Makati City  
App. No. M-257 until December 31, 2023  
Roll of Attorneys No. 64804  
Lifetime (BP No. 013749 - Makati City  
PTR No. MKT9569473 - 01/09/2023 - Makati City  
MCLE Compliance No. VII - 0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza, Ayala Triangle,  
Ayala Avenue, Makati City, Philippines

**ANNEX A- Disbursements from July 1 to September 30, 2023**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
One Vertis Plaza	Ayala Land, Inc.	258,785,867
Park Cascades	Ayala Land, Inc.	164,963,058
Arbor Lanes	Ayala Land, Inc.	158,763,445
Orean Place T1	Ayala Land, Inc.	161,272,831
Tryne Enterprise Plaza	Ayala Land, Inc.	93,369,577
Gardencourt Residences	Ayala Land, Inc.	66,403,065
<b>TOTAL</b>		<b>903,557,843</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from July 1 to September 30, 2023 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on April 3, 2023 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower (formerly Philamlife Tower), 8767 Paseo de Roxas,  
1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2023, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from July 1 to September 30, 2023 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from July 1 to September 30, 2023 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from July 1 to September 30, 2023 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated April 3, 2023 included the proceeds from the block sale of AREIT shares amounting to P6,536,167,000. Out of the total proceeds, P903,557,843 has been disbursed from July 1 to September 30, 2023 based on the information we obtained from the Company as presented in Appendix A.





**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

  
Ruth F. Blasco  
Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 9, 2023, Makati City

SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024  
financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024  
financial statements

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
October 10, 2023



Appendix A

Summary of Quarterly Progress Report from July 1 to September 30, 2023

---

<b>Distributing Entity</b>	<b>Project Name</b>	<b>Amount (In Php)</b>
Ayala Land, Inc.	Gardencourt Residences	66,403,065
	Arbor Lanes	158,763,445
	One Vertis Plaza	258,785,867
	Orean Place T1	161,272,831
	Tryne Enterprise Plaza	93,369,577
	Park Cascades	164,963,058
		<b>903,557,843</b>

---

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

**ACKNOWLEDGEMENT**

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 10<sup>th</sup> day of October 2023, by RUTH F. BLASCO who presented to me her CPA License ID No. 112595 issued by the Professional Regulation Commission in the City of Manila and valid until October 8, 2026, that she is the same person who personally signed before me the foregoing document and acknowledged that she executed the same.

Doc. No. 13 :  
Page No. 04 :  
Book No. 03 :  
Series of 2023.

  
Atty. Valerie S. Buluran-Reyes  
Notary Public for Makati City  
Until December 31, 2023  
Appointment no. M-304  
Roll no. 78742  
PTR no. 9574296/12 Jan 2023/Makati  
IBP no. 181214/03 Jan 2023/Makati  
MCLE Compliance no. VIII-0000490  
29/F AIA tower, 8767 Paseo de Roxas Makati City

January 11, 2024

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Alexandra D. Tom Wong  
Officer-in-Charge, Disclosure Department

Subject: 2023 Fourth Quarter Progress Report on the Disbursement of Proceeds from the Sale of  
205 million AREIT, Inc. ("AREIT") Shares

Dear Ms. Tom Wong,

We are pleased to submit our Progress Report on the Application of Proceeds for the Fourth Quarter of 2023, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On April 3, 2023, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 205 million AREIT Shares amounting to Six Billion, Five Hundred Thirty-Six Million, One Hundred Sixty-Seven Thousand Pesos (Php6,536,167,000).

As of December 31, 2023, the remaining balance of the net proceeds from the sale of 205 million AREIT Shares, amounts to Three Hundred Twelve Million, Two Hundred Thirty Thousand, Nine Hundred Sixty-Three Pesos (Php312,230,963).

The details of the disbursement for the Fourth Quarter of 2023 are as follows:

Balance of Proceeds from sale of AREIT Shares as of September 30, 2023	Php 3,552,998,677
Less: Disbursements from October 1 to December 31, 2023 (Annex A)	3,240,767,713
<b>Balance of Proceeds from sale of AREIT Shares as of December 31, 2023</b>	<b>Php 312,230,964</b>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer and Chief Finance Officer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this JAN 11 2024 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration Date 05 December 2033

Doc. No. 338 ;  
Page. No. 69 ;  
Book No. 1 ;  
Series of 2024.

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



*[Signature]*  
DESIREE N. SOKOKEN  
Notary Public - Makati City  
App. No. M-414 until December 31, 2024  
Roll of Attorneys No. 71585  
IMP No. 297603; 02/03/2023; Mountain Province Chapter  
PTR No. MKT10679199; 01/05/2024; Makati City  
MCLE Compliance No. VII-0020322; 06/02/2022  
2nd Floor, Tower One and Exchange Plaza, Ayala Triangle,  
Ayala Avenue, Makati City, Philippines

**ANNEX A - Disbursements from October 1 to December 31, 2023**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Metro Manila Property	Ayala Land, Inc.	2,015,507,230
Metro Manila Property	ALI Eton Property Development Corporation (a 50:50 JV Between ALI and EPPi)	761,500,000
Arbor Lanes	Ayala Land, Inc.	223,230,129
Tryne Enterprise Plaza	Ayala Land, Inc.	111,147,126
Park Cascades	Ayala Land, Inc.	129,383,228
<b>TOTAL</b>		<b>3,240,767,713</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from October 1 to December 31, 2023 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on April 3, 2023 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2023, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from October 1 to December 31, 2023 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from October 1 to December 31, 2023 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from October 1 to December 31, 2023 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated April 3, 2023 included the proceeds from the block sale of AREIT shares amounting to P6,536,167,000. Out of the total proceeds, P3,240,767,713 has been disbursed from October 1 to December 31, 2023 based on the information we obtained from the Company as presented in Appendix A.





**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

  
Ruth F. Blasco  
Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 11, 2024, Makati City

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
January 11, 2024



**Appendix A**

Summary of Quarterly Progress Report from October 1 to December 31, 2023


<b>Distributing Entity</b>	<b>Project Name</b>	<b>Amount (in Php)</b>
ALI Eton Property Development Corporation	Metro Manila Property	761,500,000
Ayala Land, Inc.	Metro Manila Property	2,015,507,230
	Arbor Lanes	223,230,129
	Tryne Enterprise Plaza	111,147,126
	Park Cascades	129,383,228
		<b>3,240,767,713</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

**ACKNOWLEDGEMENT**

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 11<sup>th</sup> day of January 2024, by RUTH F. BLASCO who presented to me her CPA License ID No. 112595 issued by the Professional Regulation Commission in the City of Manila and valid until October 8, 2026, that she is the same person who personally signed before me the foregoing document and acknowledged that she executed the same.

Doc. No. 26 :  
Page No. 07 :  
Book No. 01 :  
Series of 2024.

  
Atty. Vhalene S. Buluran-Reyes  
Notary Public for Makati City  
Until December 31, 2025  
Appointment No. M-049  
Roll No. 78742

PTR No. 10078306/05 Jan 2024/Makati  
IBP No. 301980/06 Jan 2024/Makati  
MCLE Compliance No. VIII-0000490  
29/F AIA Tower, 8767 Paseo de Roxas Makati City

January 11, 2024

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Alexandra D. Tom Wong  
Officer-in-Charge, Disclosure Department

Subject: 2023 Annual Progress Report on the Disbursement of Proceeds from the Sale of 205 million AREIT, Inc. ("AREIT") Shares

Dear Ms. Tom Wong,

We are pleased to submit our Progress Report on the Application of Proceeds for the full year 2023, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On April 3, 2023, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 205 million AREIT Shares amounting to Six Billion, Five Hundred Thirty-Six Million, One Hundred Sixty-Seven Thousand Pesos (Php6,536,167,000).

As of December 31, 2023, the remaining balance of the net proceeds from the sale of 205 million AREIT Shares, amounts to Three Hundred Twelve Million, Two Hundred Thirty Thousand, Nine Hundred Sixty-Three Pesos (Php312,230,963).

The details of the disbursement for the year 2023 are as follows:

Net Proceeds from sale of 205 million AREIT Shares as of April 3, 2023	Php 6,536,167,000
Less: Disbursements from April 3 to June 30, 2023 (Annex A)	2,079,610,480
Less: Disbursements from July 1 to September 30, 2023 (Annex A)	903,557,843
Less: Disbursements from October 1 to December 31, 2023 (Annex A)	3,240,767,713
<b>Balance of Proceeds from sale of AREIT Shares as of December 31, 2023</b>	<b>Php 312,230,964</b>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer and Chief Finance Officer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this JAN 11 2024 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration Date 05 December 2033

Doc. No. 338 ;  
Page. No. 69 ;  
Book No. 1 ;  
Series of 2024.

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



DESIREE N. SOKOKEN  
Notary Public - Makati City  
App. No. M-414 until December 31, 2024  
Roll of Attorneys No. 71585  
IBF No. 297603; 02/03/2023; Mountain Province Chapter  
PTR No. MKT10079199; 01/05/2024; Makati City  
MCLE Compliance No. VII-0020322; 06/02/2022  
2nd Floor, Tower One and Exchange Plaza, Ayala Triangle,  
Ayala Avenue, Makati City, Philippines

**ANNEX A**

**Disbursements from April 3 to June 30, 2023**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Metro Manila Property	ALI Eton Property Development Corporation (a 50:50 JV Between ALI and EPPI)	820,000,000
Gardencourt Residences	Ayala Land, Inc.	298,235,766
Arbor Lanes	Ayala Land, Inc.	134,967,060
Andacillo	Ayala Land, Inc.	66,584,730
One Vertis Plaza	Ayala Land, Inc.	332,145,298
Orean Place T1	Ayala Land, Inc.	177,595,948
Tryne Enterprise Plaza	Ayala Land, Inc.	145,629,309
Park Cascades	Ayala Land, Inc.	104,452,369
<b>TOTAL</b>		<b>2,079,610,480</b>

**Disbursements from July 1 to September 30, 2023**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
One Vertis Plaza	Ayala Land, Inc.	258,785,867
Park Cascades	Ayala Land, Inc.	164,963,058
Arbor Lanes	Ayala Land, Inc.	158,763,445
Orean Place T1	Ayala Land, Inc.	161,272,831
Tryne Enterprise Plaza	Ayala Land, Inc.	93,369,577
Gardencourt Residences	Ayala Land, Inc.	66,403,065
<b>TOTAL</b>		<b>903,557,843</b>

**Disbursements from October 1 to December 31, 2023**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Metro Manila Property	Ayala Land, Inc.	2,015,507,230
Metro Manila Property	ALI Eton Property Development Corporation (a 50:50 JV Between ALI and EPPI)	761,500,000
Arbor Lanes	Ayala Land, Inc.	223,230,129
Tryne Enterprise Plaza	Ayala Land, Inc.	111,147,126
Park Cascades	Ayala Land, Inc.	129,383,228
<b>TOTAL</b>		<b>3,240,767,713</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Annual Progress Report for the period from April 3 to December 31, 2023 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on April 3, 2023 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

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Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2023, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from April 3 to December 31, 2023 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from April 3 to December 31, 2023 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from April 3 to December 31, 2023 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated April 3, 2023 included the proceeds from the block sale of AREIT shares amounting to P6,536,167,000. Out of the total proceeds, P6,223,936,036 has been disbursed from April 3 to December 31, 2023 based on the information we obtained from the Company as presented in Appendix A.





**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

*Ruth F. Blasco*  
Ruth F. Blasco  
Partner

CPA Cert No. 112595

P.T.R. No. 0018519, issued on January 11, 2024, Makati City

TIN 235-725-236

BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City  
January 11, 2024



**Appendix A**

Summary of Annual Progress Report from April 3 to December 31, 2023 (Amounts in Php)

<b>Distributing Entity</b>	<b>Project Name</b>	<b>Disbursements from April 3 to June 30, 2023</b>	<b>Disbursements from July 1 to September 30, 2023</b>	<b>Disbursements from October 1 to December 31, 2023</b>	<b>Total</b>
ALI Eton Property Development Corporation	Metro Manila Property	820,000,000	-	761,500,000	1,581,500,000
Ayala Land, Inc.	Metro Manila Property	-	-	2,015,507,230	2,015,507,230
	Gardencourt Residences	298,235,766	66,403,065	-	364,638,831
	Arbor Lanes	134,967,060	158,763,445	223,230,129	516,960,634
	Andacillo	66,584,730	-	-	66,584,730
	One Vertis Plaza	332,145,298	258,785,867	-	590,931,165
	Orean Place T1	177,595,948	161,272,831	-	338,868,779
	Tryne Enterprise Plaza	145,629,309	93,369,577	111,147,126	350,146,012
	Park Cascades	104,452,369	164,963,058	129,383,228	398,798,655
		<b>2,079,610,480</b>	<b>903,557,843</b>	<b>3,240,767,713</b>	<b>6,223,936,036</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

**ACKNOWLEDGEMENT**

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 11<sup>th</sup> day of January 2024, by RUTH F. BLASCO who presented to me her CPA License ID No. 112595 issued by the Professional Regulation Commission in the City of Manila and valid until October 8, 2026, that she is the same person who personally signed before me the foregoing document and acknowledged that she executed the same.

Doc. No. 25 ;  
Page No. 06 ;  
Book No. 01 ;  
Series of 2024.

*SFB*  
Atty. **Vhalere S. Buluran-Reyes**  
Notary Public for Makati City  
Until December 31, 2025  
Appointment No. M-049  
Roll No. 78742  
PTR No. 10078306/05 Jan 2024/Makati  
IBP No. 301980/06 Jan 2024/Makati  
MCLE Compliance No. VIII-0000490  
29/F AIA Tower, 8767 Paseo de Roxas Makati City