



Supplemental Performance Report for the Fourth Quarter of 2021

February 28, 2022

This document was prepared by AREIT Fund Managers, Inc. ("AFMI") for AREIT, Inc. ("AREIT" or the "Company") in compliance with the reportorial requirements of the REIT Implementing Rules & Regulations under Republic Act No. 9856.



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I. FINANCIAL PERFORMANCE

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

A. Statement of Comprehensive Income for the Period Ended December 31 2021 (In Pesos, Millions)

		Breakdown per property											
	Total	Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land	Vertis	BPI-Philam Makati	BPI-Philam Alabang	Bacolod Capitol	Ayala Northpoint	Evotech
Rental income	2,695.46	600.91	911.08	113.15	167.19	458.54	74.22	293.81	3.92	1.24	17.16	6.74	47.48
Dues	621.01	208.28	131.32	28.38	41.98	112.84	0.00	67.28	0.73	0.57	4.70	1.47	23.48
Revenue	3,316.46	809.19	1,042.40	141.53	209.17	571.37	74.22	361.10	4.65	1.81	21.86	8.21	70.96
Direct operating expenses	(548.57)	(100.39)	(242.56)	(11.58)	(12.98)	(106.38)	(0.81)	(58.38)	(0.72)	(0.29)	(3.78)	(2.46)	(8.26)
Fund management fees	(135.33)	(38.09)	(44.03)	(4.47)	(9.37)	(20.31)	(1.09)	(13.89)	(0.20)	(0.07)	(0.86)	(0.28)	(2.69)
Property management fees	(131.96)	(31.82)	(45.00)	(4.79)	(8.57)	(21.10)	(2.23)	(14.41)	(0.20)	(0.07)	(0.87)	(0.30)	(2.59)
Cost and expenses	(815.87)	(170.30)	(331.59)	(20.84)	(30.92)	(147.79)	(4.13)	(86.68)	(1.11)	(0.42)	(5.51)	(3.04)	(13.55)
Net operating income	2,500.60	638.89	710.80	120.69	178.25	423.59	70.10	274.42	3.54	1.38	16.35	5.17	57.41
General and administrative expenses	(103.13)												
Earnings before interest, taxes, depreciation and amortization	2,397.47												
Depreciation	(0.04)												
Gain under finance lease	49.76												
Interest income	7.21												
Interest expense	(185.69)												
Unrealized gain (of fair value adjustment)	164.50												
Other income (expenses)	0.10												
Other income (charges) - net	35.89												
Income before tax	2,433.32												
Provision for income tax	(0.05)												
Net Income After Tax (NIAT) ¹	2,433.27												
Other comprehensive income	0.00												
Total comprehensive income	2,433.27												

B. Income from Related Parties for the Period Ended December 31 2021 (In Pesos, Millions)

Related Parties	Total		Solaris	Ayala North Exchange	The30th	Laguna Technopark Land	Vertis	BPI-Philam Alabang	Evotech
	%	Amount							
Rental income									
Alveo Land Corporation	0.19%	5.20	5.02	-	-	-	-	-	0.18
Amaia Land Corp.	0.05%	1.22	-	-	-	-	-	1.22	-
Bank of the Philippine Islands	4.65%	125.30	2.38	116.58	-	-	6.34	-	-
BPI Capital Corporation	0.48%	12.83	-	12.83	-	-	-	-	-
BPI Securities Corporation	0.30%	8.02	-	8.02	-	-	-	-	-
First Gateway Real Estate Corporation	0.39%	10.63	-	10.63	-	-	-	-	-
Integrated Microelectronics, Inc.	2.75%	74.22	-	-	-	74.22	-	-	-
North Eastern Commercial Corporation	0.34%	9.08	-	-	7.73	-	1.35	-	-
Interest income from finance lease receivables									
Makati North Hotel Ventures, Inc.	5.62%	151.39	-	151.39	-	-	-	-	-
North Eastern Commercial Corporation	1.45%	39.17	-	-	28.74	-	10.43	-	-
Total rental income and interest income from finance lease receivables	16.21%	437.06	7.40	299.45	36.46	74.22	18.12	1.22	0.18

C. Statement of Cash Flows for the Period Ended December 31 2021 *(In Pesos, Millions)*

CASH FLOWS FROM OPERATING ACTIVITIES	
Income before income tax	2,433.27
Adjustments for:	
Net fair value change in investment properties	(164.50)
Depreciation and amortization	0.04
Interest expense	169.82
Gain under finance lease	(49.76)
Interest income from finance lease receivables	(188.55)
Interest income	(7.21)
Operating income before working capital changes	2,193.16
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Receivables	(683.38)
Other assets	(717.60)
Increase (decrease) in:	
Accounts and other payables	15.79
Deposits and other liabilities	1,148.32
Construction bonds	58.58
Cash generated from (used in) operations	2,014.87
Interest received	195.76
Interest paid	(81.04)
Income tax paid	(0.05)
Net cash flows provided by (used in) operating activities	2,129.54
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease (increase) in due from related parties	881.90
Payments for additions to investment properties	(5,019.13)
Payments for additions to property and equipment	(0.34)
Net cash flows provided by (used in) investing activities	(4,137.57)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments of dividends	(1,733.36)
Proceeds from short-term debt	34,379.50
Payments of short-term debt	(33,489.50)
Payment of share issuance cost	(35.88)
Payments of lease liability	(37.18)
Net proceeds from long-term debt	2,957.47
Net cash flows provided by (used in) financing activities	2,041.06
NET INCREASE (DECREASE) IN CASH	33.03
CASH AT BEGINNING OF YEAR	58.98
CASH AT END OF YEAR	92.01

D. Adjusted Funds from Operations for the Period Ended December 31 2021 *(In Pesos, Millions)*

	Total
Net income after tax	2,433.27
Add back: Depreciation	0.04
Deduct: PAS adjustment	35.64
CAPEX	(38.91)
Gain from finance lease	(49.76)
Gain on change in fair value of investment properties	(200.14)
Adjusted Funds from Operations	2,180.14

E. Operating Statistics as of December 31 2021

Overall						
Property	Location	Total gross leasable area (GLA) in sq. m	Occupied GLA, in sq. m	Occupancy rate	Revenue Contribution in 2021	Cost contribution in 2021 ¹
Solaris	Makati	46,768	45,740	98%	24.4%	20.9%
Ayala North Exchange	Makati	95,300	94,003	99%	31.4%	40.6%
MECC	Makati	10,688	10,593	99%	4.3%	2.5%
TP Cebu	Cebu	18,093	18,093	100%	6.3%	3.8%
The30th	Pasig	74,704	71,832	96%	17.2%	18.1%
Laguna Technopark Land	Laguna	98,179	98,179	100%	2.2%	0.5%
Vertis	Quezon City	164,628	157,218	96%	10.9%	10.6%
BPI-Philam Makati	Makati	1,072	1,072	100%	0.1%	0.1%
BPI-Philam Alabang	Muntinlupa	551	551	100%	0.1%	0.1%
Bacolod Capitol	Negros Occidental	11,313	11,313	100%	0.7%	0.7%
Ayala Northpoint	Negros Occidental	4,654	4,654	100%	0.3%	0.4%
Evotech	Laguna	23,058	23,058	99%	2.1%	1.7%
Office						
Property	Total GLA, in sq. m	Occupied GLA, in sq. m	Occupancy rate	Average rent per sq. m per month	Average rent income growth (vs YTD Dec 2020) ²	
Solaris	46,027	44,999	98%	984	4%	
Ayala North Exchange	61,724	61,724	100%	977	6%	
MECC	9,633	9,633	100%	878	6%	
TP Cebu	17,682	17,682	100%	657	2%	
The30th	47,871	44,999	95%	726	N/A	
Vertis	125,322	117,913	94%	747	N/A	
BPI-Philam Makati	1,072	1,072	100%	1,153	N/A	
BPI-Philam Alabang	551	551	100%	690	N/A	
Bacolod Capitol	11,313	11,313	100%	500	N/A	
Ayala Northpoint	4,654	4,654	100%	451	N/A	
Evotech	23,058	23,058	100%	631	N/A	

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

⁽²⁾ MECC acquired in February 2020, TP Cebu acquired in September 2020 while Laguna Technopark Land and The 30th were acquired in January 2021. Income from the assets infused via property-for-share swap accrued to AREIT beginning October 1, 2021. The swap covers Vertis North Commercial Development (Vertis), BPI-Philam Makati, BPI-Philam Alabang, Bacolod Capitol Corporate Center (Bacolod Capitol), Ayala Northpoint Technohub (Ayala Northpoint), and One Evotech and Two Evotech (collectively called Evotech) buildings.

F. Office Industry Benchmarks

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

	Makati	Cebu	Pasig/ Ortigas CBD	Quezon City	Muntinlupa	Laguna	Bacolod
Occupancy rate	92%	77%	87%	81%	84%	74%	76%
Ave. rent/sq. m ¹	₱ 700-1,100	₱ 500-660	₱ 600-750	₱ 500-700	₱ 550-750	₱ 450-700	₱ 350-600

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

Sources:

- Colliers International. Q1 2020. Property Market Briefing. Apr. 29, 2020.
- Colliers International. Q1 2021 Property Market Briefing. Apr. 30, 2021.
- Colliers International. Q2 2021 Cebu Property Market Briefing. Aug. 25, 2021.
- Colliers International. Q3 2021 Property Market Briefing. Oct. 29, 2021.

G. Investment Return

2021 Dividends per share	₱ 1.77
Price per share as of Dec 31 2021	₱ 48.60
Dividend yield based on closing price as of Dec 31, 2021	3.64%
Price growth based on IPO price per share of ₱ 27.00	80.00%
Total return since IPO	91.44%
REIT Benchmarks	
Ten-year BVAL as of end of period	4.82%
Dividend yield of Asia Pacific REITs	5.28% ¹

Source:

⁽¹⁾ Dividend yield of FTSE EPRA Nareit Asia ex Japan REITs 10% Capped USD Index ("Index") from FTSE EPRA Nareit Asia ex Japan REITs Index FactSheet as of December 31, 2021. The Index has been designed to represent the performance of REITs from China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand. AREIT became a constituent of the FTSE EPRA Nareit Asia ex Japan REITs 10% Capped Index effective Sept. 20, 2021.

Net debt-to-equity ratio as of December 31, 2021 is 0.08:1. The availment of loan and issuance of bond to partially fund the acquisition of The 30th and Laguna Technopark lots with outstanding balance of ₱ 3.89 billion as of December 31, 2021 resulted in interest expense of ₱ 76.17 million for YTD December 31, 2021.

For 2021, total dividends declared was ₱ 2.04 million or ₱ 1.77 per share.

	2020	2021
Total dividends	₱ 1,353,866,494	₱ 2,042,541,446
Dividends per share	₱ 1.32	₱ 1.77
YOY Growth	-	34.09%

Computation of the distributable income of the Company as of December 31, 2021 is shown below

(In Pesos, Millions):

Net income	2,433.27
Fair value adjustment	(164.50)
Distributable income	2,268.77

H. Current Valuation of the AREIT Properties

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

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

Property	Type	Valuation cost (in Pesos, millions)	Valuation Date	Valuation Method
Solaris	Building	12,170	June 2021	Income Approach
Ayala North Exchange ¹	Building	13,656	June 2021	Income Approach
MECC	Building	1,940	June 2021	Income Approach
TP Cebu	Building	2,599	Jan 2022	Income Approach
The30th ¹	Building	4,643	June 2021	Income Approach
Laguna Technopark Land	Land	1,087	June 2021	Market Approach
Vertis ¹	Building	11,978	June 2021	Income Approach
BPI-Philam Makati	Building	236	June 2021	Income Approach
BPI-Philam Alabang	Building	63	June 2021	Income Approach
Bacolod Capitol	Building	893	June 2021	Income Approach
Ayala Northpoint	Building	297	June 2021	Income Approach
Evotech	Building	1,999	June 2021	Income Approach

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

I. Asset Value, Price per Share and Total Capitalization as of December 31 2021

	Total value In thousands	Value per share
Book value	₱ 48,888	₱ 32.40
Net asset value	₱ 50,041	₱ 33.16
Market capitalization	₱ 73,333	₱ 48.60

J. Performance Indicators as of December 31 2021

Current ratio ¹	0.67:1
Net debt-to-equity ratio ²	0:08:1
Profitability Ratios:	
Return on assets ³	5%
Return on equity ⁴	5%
Asset to Equity ratio ⁵	1.16:1
Market-to-book ratio ⁶	1.50:1

⁽¹⁾ Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our ability to pay short-term obligations.

⁽²⁾ Net debt to equity ratio is derived by dividing our total loans and borrowings less cash by total equity.

⁽³⁾ Return on assets is derived by annualized net income by total assets

⁽⁴⁾ Return on equity is derived by dividing annualized net income by average shareholders' equity. Return on equity measures how profitable we are at generating profit from each unit of shareholder equity.

⁽⁵⁾ Asset to equity ratio is derived by dividing total assets by shareholders' equity. Asset to equity ratio measures our financial leverage and long-term solvency.

⁽⁶⁾ Market-to-book ratio is derived by dividing the market capitalization or the stock's closing price by the book value. Market-to-book ratio measures the market's valuation of our company relative to our book value.