



NOTICE OF SPECIAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the special meeting of the stockholders of **AREIT, INC.** will be held on **Monday, February 12, 2024 at 10:00 o'clock in the morning** in a fully virtually format via <http://www.ayalagroupshareholders.com/> with the following:

A G E N D A¹

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Issuance of Common Shares in Exchange for Properties
4. Consideration of Such Other Business as may Properly Come before the Meeting
5. Adjournment

Pursuant to the Company's By-Laws, the Chairman, acting on the authority delegated by the Board of Directors during its meeting on November 16, 2023, has approved the conduct of the Special Stockholders' Meeting in a fully virtual format, hence, stockholders may only attend the meeting by remote communication, by voting *in absentia*, or by appointing the Chairman of the meeting as their proxy.

Only stockholders of record as of **January 15, 2024** are entitled to notice of, and to vote at, this meeting. Stockholders intending to participate by remote communication should notify the Company by email on or before **February 1, 2024**. Stockholders may likewise register online starting on January 16, 2024. Stockholders may only vote electronically or *in absentia* or by proxy subject to validation procedures. The procedures for participating in the meeting through remote communication and for casting of votes electronically and *in absentia* will be set forth in the Information Statement.²

Stockholders intending to participate by appointing the Chairman of the meeting as their proxy should submit their duly accomplished proxies on or before **February 1, 2024** to the Office of the Corporate Secretary at 4/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City or by email to corporate.secretary@areit.com.ph. Validation of proxies is set for **February 5, 2024 at 9:00 o'clock in the morning**.

Stockholders of record as of January 15, 2024 owning at least 5% of the total outstanding capital stock of the Company may submit proposals on items for inclusion in the agenda on or before February 5, 2024.³

All email communications should be sent to corporate.secretary@areit.com.ph on or before the designated deadlines.

Makati City, December 29, 2023.

SOLOMON M. HERMOSURA
Corporate Secretary

¹ See next page for the explanation and rationale for each agenda item.

² Stockholders should notify the Company at corporate.secretary@areit.com.ph of their preference to receive hard copies of the Information Statement and other ASM materials on or before January 12, 2024.

³ The inclusion of the proposed agenda item is in accordance with SEC Memorandum Circular No. 14, Series of 2020, and the Company's internal guidelines.

EXPLANATION AND RATIONALE OF AGENDA ITEMS

Call to Order

The Chairman will formally open the meeting at approximately ten o' clock in the morning.

Certification of Notice and Quorum (and Rules of Conduct and Procedures)

The Corporate Secretary will certify that written notice for the meeting, together with the Definitive Information Statement, was duly sent to stockholders of record by electronic transmission in accordance with the Company By-laws, and published in the business section of two (2) newspapers of general circulation in online and print format, and that a quorum exists for the transaction of business, in accordance with prevailing rules. The holders of record of the majority of the outstanding capital stock of the Company, who are present by proxy, remote communication or voting in absentia, shall constitute a quorum.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders and attendance through remote communication, the Company has set up a designated online web address which may be accessed by the stockholders to register, attend, and vote on the matters at the meeting.⁴ A stockholder participating by remote communication or who votes *in absentia* shall be deemed present for purposes of quorum.

Approval of Issuance of Common Shares in Exchange for Properties

Approval of the stockholders will be sought for the issuance of 841,259,412 primary common 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")⁵ at an issue price of ₱34.00 per share, set at a 3.75% premium over the thirty (30)-day volume weighted average price ("30-day VWAP") or the Market Price⁶ of ₱32.77, 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, within the fair range of values as validated by a third-party fairness opinion provider.

A resolution on this agenda item will be presented to the stockholders for approval by the vote of the stockholders representing at least a majority of the outstanding capital stock.

Consideration of Such Other Business as May Properly Come Before the Meeting

The Chairman will open the floor for comments and questions by the stockholders and take up agenda items received from stockholders on or before February 5, 2024 in accordance with existing laws, rules and regulations of the Securities and Exchange Commission and the Company's internal guidelines.⁷

⁴ The detailed instructions pertaining to the URL and the use thereof are provided in the Information Statement.

⁵ Buendia Christiana Holdings Corp. ("BCHC") is a wholly-owned subsidiary of ACEN Corporation (PSE: ACEN). ACEN is 58.17% indirectly owned by Ayala Corporation and AREIT, Inc.'s Sponsor, Ayala Land, Inc., is 50.99% owned by Ayala Corporation, as of 30 September 2023.

⁶ **Market Price** means the volume weighted average of the closing price for a period of thirty (30) trading days prior to the approval of the transaction (PSE Consolidated Listing and Disclosure Rules, Rule V, Section 9, paragraph (a)). Transaction date refers to the approval of the Board of Directors when issue price was set, or the meeting of the Board of Directors on 16 November 2023.

⁷ SEC Memorandum Circular No. 14, series of 2020 or "Shareholders' Right to Put items on the Agenda for Regular/Special Stockholders' Meetings": (<https://www.sec.gov.ph/mc-2020/mc-no-14-s-2020shareholders-right-to-put-items-on-the-agenda-for-regular-special-stockholders-meetings/>).

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT OF
AREIT, INC. (the "Registrant", "Company" or "AREIT")
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☐ Preliminary Information Statement

☒ Definitive Information Statement

2. Name of Registrant as specified in its charter **AREIT, INC.**

3. Province, country or other jurisdiction of incorporation or organization

REPUBLIC OF THE PHILIPPINES

4. SEC Identification Number **CS200613870**

5. BIR Tax Identification Code **006-346-689**

6. Address of principal office **28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City 1226**

7. Registrant's telephone number, including area code **(632) 7908 3804**

8. Date, time, and place of the meeting of security holders

Date February 12, 2024

Time 10:00 am

**Place To be conducted virtually through
<http://www.ayalagroupshareholders.com/>⁸**

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Date January 15, 2024

10. In case of Proxy Solicitations

Name of Person Filing the Statement/Solicitor	AREIT, Inc.
Address and Telephone No.	28th Floor, Tower One and Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, 1226 (632) 7908 3804

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the Revised Securities Act:

a. Shares of Stock as of November 30, 2023

Common Shares 2,435,936,543

⁸ Please refer also to Item 20 of this DIS.

AREIT, Inc. | 28F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines 1226 www.aret.com.ph

b. Amount of Debt Outstanding as of November 30, 2023

P 3.86 Billion

12. Are any or all of registrant's securities listed in a Stock Exchange?

☒ Yes ☐ No

1,576,240,780 common shares are listed with the Philippine Stock Exchange ("PSE")⁹

⁹ The application for listing for the 252,136,383 common shares issued to ALI 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.

PROXY AND VOTING INSTRUCTION

1. IDENTIFICATION

This Proxy is being solicited by **AREIT, INC.**, on and in its behalf, in connection with the Special Stockholders' Meeting of **AREIT, INC.**, to be held on February 12, 2024, at 10:00 o'clock in the morning.

2. INSTRUCTIONS

The undersigned stockholder of **AREIT, INC.** (the "Company") hereby appoints the Chairman of the meeting of the stockholders, as *attorney-in-fact* and *proxy*, to represent and vote all shares registered in his/her/its name at the special meeting of the stockholders of the Company on February 12, 2024 and at any of the adjournments thereof for the purpose of acting on the matters stated below.

Please place an "X" in the box below how you wish your votes to be cast in respect of the matter to be taken up during the meeting.

If no specific direction as to voting is given, the votes will be cast for the approval of the resolution on the matter stated below and as set out in the notice, and for such other matters as may properly come before the meeting in the manner described in the Information Statements and as recommended by the Chairman.

Agenda Item: Approval of issuance of common shares in exchange for properties

☐ For

☐ Against

☐ Abstain

A scanned copy of this Proxy and Voting Instruction should be received by the Corporate Secretary at corporate.secretary@areit.com.ph on or before **February 1, 2024**, the deadline for submission of Proxies. For corporate stockholders, please attach to this Proxy form the Secretary's Certificate on the authority of the signatory to appoint the Proxy and sign this form.

3. REVOCABILITY OF PROXY

The Proxy and Voting Instruction may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting. A Proxy and Voting Instruction is also considered revoked if the stockholder registers and votes on the Company's secured online voting system (the "Voting System"). This Proxy and Voting Instruction shall be deemed revoked after the right granted is exercised during the Special Stockholders' Meeting of the Company on February 12, 2024. Shares represented by an unrevoked Proxy will be voted as authorized by the stockholder.

4. PERSON MAKING THE SOLICITATION

The solicitation is made by the Company. No director of the Company has informed the former in writing that s/he intends to oppose an action intended to be taken up by the Company at the Special Stockholders' Meeting. Solicitation of the proxies shall be made through the use of ordinary mail, electronic means of communication, or personal delivery. The total estimated amount to be spent in connection with the release and sending of the Proxy statements is approximately P20,000.00. Costs for solicitation will be shouldered by the Company.

5. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

The directors and officers do not have a substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon. The Company has not received any written information from anyone seeking to oppose any action to be taken up in the Special Stockholders' Meeting of the Company.

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SIGNATURE OF STOCKHOLDER / AUTHORIZED
SIGNATORY OVER PRINTED NAME

NUMBER OF SHARES

DATE

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders (hereafter, the “special stockholders’ meeting” or “meeting”)

Date	February 12, 2024
Time	10:00 am
Place	To be conducted virtually through http://www.ayalagroupshareholders.com/10
Principal Office	28th Floor, Tower One and Exchange Plaza Ayala Triangle, Ayala Avenue, Makati City 1226

The Information Statement may be accessed by the Company’s stockholders beginning January 15, 2024 at the Company’s website, areit.com.ph.

The enclosed Proxy and Voting Instruction is solicited for and on behalf of the Company for use in connection with the Special Stockholders’ Meeting of the Company on February 12, 2024.

Item 2. Dissenters’ Right of Appraisal

Under Sections 41 and 80, Title X of the Revised Corporation Code of the Philippines (“Revised Corporation Code”), a stockholder shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

- (a) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- (c) In case of merger or consolidation; and
- (d) In case of investment of funds by the Company in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized.

There are no matters or actions to be taken up at the meeting that may give rise to a possible exercise by stockholders of their appraisal rights.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No current director or officer,¹¹ or any of his associate, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Company that he intends to oppose any action to be taken at the special stockholders’ meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) **Number of Shares Outstanding as of December 31, 2023:**

¹⁰ Please also refer to Item 20 of this PIS.

¹¹ References to directors, officers, Board or Committees are references to directors, officers, Board or Committees of the Company, unless otherwise specified.

Common Shares **2,368,606,573**

Number of Votes Entitled: one (1) vote per share

- (b) All stockholders of record as of January 15, 2024 are entitled to receive notice and to vote at the special stockholders' meeting.

(c) **Manner of Voting**

Article II, Section 7 of the By-Laws of the Company (the "By-Laws") provide:

"Section 7 - Unless otherwise provided by law, each stockholder entitled to vote may vote in person, through remote communication, *in absentia*, electronically or otherwise or be represented by proxy at any regular or special stockholders' meeting, subject to compliance with rules and regulations as may be issued by the Securities and Exchange Commission from time to time. At all meetings of the stockholders, all elections and all questions, except in cases where hereunder specified or where other provision is made by statute or by the Articles of Incorporation, shall be decided by the majority vote of the stockholders present in person, through remote communication, *in absentia*, electronically or otherwise or by proxy, a quorum being present. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him. *(as amended in a meeting of the Board of Directors and stockholders on September 26, 2018; and as further amended in a meeting of the Board of Directors on October 22, 2020 and later ratified on June 14, 2021, pursuant to the delegation by the stockholders to the Board of Directors of the power to amend the By-Laws on 23 April 2021.)*"

On November 16, 2023, the Board of Directors of the Company, delegated to the Chairman the authority to approve and authorize the conduct of the meeting in a fully virtual format, including all the necessary and related arrangements, and the internal guidelines or procedures on participation in meetings by remote communication and voting *in absentia* in compliance with the requirement of the Securities and Exchange Commission and in accordance with Sections 57 and 23 of the Revised Corporation Code. Stockholders may vote electronically *in absentia* or by filling out the electronic ballot using the online web address, <http://www.ayalagroupshareholders.com/>, subject to validation procedures. Please refer to Annex A (III) for the detailed instruction on electronic voting and participation in meeting through remote communication. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

(d) **Security Ownership of Certain Record and Beneficial Owners and Management**

i. **Security Ownership of Record and Beneficial Owners of more than 5% as of December 31, 2023:**

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. ¹² 31F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Land, Inc. ¹³	Filipino	1,026,398,049	43.3334%
Common	PCD Nominee Corporation (Filipino) ¹⁴ G/F MSE Bldg.	PCD participants acting for themselves or for their	Filipino	883,724,265	37.3099%

¹² Ayala Land, Inc. ("ALI") is the principal stockholder of the Company.

¹³ 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.

¹⁴ PCD is not related to the Company.

	Ayala Ave., Makati City	customers ¹⁵			
Common	AyalaLand Malls, Inc. ¹⁶	AyalaLand Malls, Inc. ¹⁷	Filipino	287,186,771	12.1247%

ii. **Security Ownership of Directors and Management (Executive Officers) as of December 31, 2023:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
Directors				
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%
CEO and Most Highly Compensated Executive Officers				
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%
Other Executive Officers				
Common	Solomon M. Hermosura	0	Filipino	0.0000%
Common	Amelia Ann T. Alipao	(indirect) 20,000	Filipino	0.0008%
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%
All Directors and Officers as a group		4,014,507		0.1695%

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.

¹⁵ 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 883,724,265 common shares registered in the name of PCD Nominee Corporation (Filipino), 165,884,800 or 7.0035% 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.

¹⁶ 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.

¹⁷ The Board of AyalaLand Malls, Inc. has the power to decide how the shares are to be voted.

(e) **Foreign ownership level as of December 31, 2023:**

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
Common Shares	2,368,606,573	77,979,301	3.29%

Item 5. Directors and Executive Officers

Article III, Section 2 of the By-Laws provides in part:

"Section 2. Number and Term of Office. The Board of Directors shall have eight (8) members who shall be elected by the stockholders entitled to vote at the annual stockholders' meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with these By-laws. (and as further amended in a meeting of the Board of Directors on October 22, 2020 and later ratified on June 4, 2021, pursuant to the delegation by the stockholders to the Board of Directors of the power to amend the By-Laws on 23 April 2021.)" xxx

All matters pertaining to the Directors and Executive Officers of the Company will form part of the Definitive Information Statement for the Company's Annual Stockholders' Meeting to be held on April 23, 2024. No matter shall be taken up during the Special Stockholders' Meeting in relation to the directors and executive officers.

Item 6. Compensation of Directors and Executive Officers

All matters pertaining to the compensation of Directors and Executive Officers of the Company will form part of the Definitive Information Statement for the Company's Annual Stockholders' Meeting to be held on April 23, 2024. No matter shall be taken up during the Special Stockholders' Meeting in relation to the compensation of directors and executive officers.

Item 7. Independent Public Accountants

- (a) The principal accountant and external auditor of the Company is Isla Lipana & Co. (PwC Philippines).

All matters pertaining to the Company's independent public accountant will form part of the Definitive Information Statement for the Company's Annual Stockholders' Meeting to be held on April 23, 2024. No other matter shall be taken up during the Special Stockholders' Meeting in relation to the Company's independent public accountant.

Item 8. Compensation Plans

No matters or actions with respect to any compensation plan pursuant to which cash or non-cash compensation may be paid or distributed will be taken up during the Special Stockholders' Meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

- (a) **Amount of Securities to be Authorized or Issued**

To be presented for the approval of the stockholders is 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")¹⁸ 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"), independently evaluated and

¹⁸ Buendia Christiana Holdings Corp. ("BCHC") is a wholly-owned subsidiary of ACEN Corporation (PSE: ACEN). ACEN is 58.07% indirectly owned by Ayala Corporation and AREIT, Inc.'s Sponsor, Ayala Land, Inc., is 51.01% owned by Ayala Corporation, as of 30 November 2023.

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 Price¹⁹ of ₱32.77, and as validated by a fairness opinion issued by FTI Consulting Philippines, Inc. ("FTI Consulting"), attached hereto as Annex "B." 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 Valuation Reports issued by Cuervo are collectively attached hereto as Annex "C".

(b) **Description of the Registrant's Securities**

The Company's current authorized capital stock is Forty Billion Five Hundred Million Pesos (₱40,500,000,000) divided into Four Billion Fifty Million (4,050,000,000) common shares, with a par value of Ten Pesos (₱10.00) per share. As of November 30, 2023, 2,368,606,573 shares of the Company are issued and outstanding. Stockholders of the Company enjoy full dividend and voting rights in accordance with the Revised Corporation Code, pro-rata to their shareholdings. Pursuant to the Seventh Article of the Company's Articles of Incorporation, no stockholders of any class shall be entitled to any pre-emptive right to purchase, subscribe for, or receive any part of the shares of the Company, whether issued from its unissued capital, increase in its authorized capital, or its treasury stock. There are no class of shares which enjoy preferential rights as to voting or dividends.

(c) **Nature and approximate amount of consideration received or to be received by the Company and amounts devoted to each purpose**

The Company, ALI, the Subsidiaries, and BCHC will execute a property-for-share swap transaction whereby the Company will issue the Shares to ALI, the Subsidiaries, and BCHC (as illustrated in Table 2 below) in exchange for the following identified properties valued at ₱28,602,820,008.00 (the "Transaction"), at the Transaction Price of ₱34.00 per share, set at a 3.75% premium over the 30-day VWAP of ₱32.77 or the Market Price.

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

Property	Registered Owner	Fair Market Value (in Php)	Transaction Value (in Php)
ATG Tower 2	ALI	12,474,406,000.00	12,480,755,836.00
Greenbelt 3 and 5	ALI	5,423,621,000.00	5,414,024,408.00
Holiday Inn	Greenhaven*	2,638,647,000.00	2,635,203,116.00
Seda Ayala Center Cebu	Cebu Insular*	1,327,325,000.00	1,303,115,756.00
BCHC Industrial Land	BCHC	6,734,208,000.00	6,769,720,892.00
Total		₱28,598,207,000.00	₱28,602,820,008.00
*Greenhaven and Cebu Insular are subsidiaries of ALI. Greenhaven is a wholly-owned subsidiary of Ayala Hotels and Resorts Corporation (AHRC), a wholly-owned subsidiary of ALI. Cebu Insular is owned by both ALI and AHRC. (collectively, the " Properties ")			

Table 2 – Breakdown of Shares to be Issued to ALI, Greenhaven, Cebu Insular, and BCHC

Stockholder	Number of Shares
ALI	526,317,066
Greenhaven	77,505,974
Cebu Insular	38,326,934
BCHC	199,109,438
TOTAL	841,259,412

¹⁹ **Market Price** means the volume weighted average of the closing price for a period of thirty (30) trading days prior to the approval of the transaction (PSE Consolidated Listing and Disclosure Rules, Rule V, Section 3, paragraph (a)). Transaction date refers to the approval of the Board of Directors when issue price was set, or the meeting of the Board of Directors on 07 March 2023.

The Properties will be used by ALI, the Subsidiaries, and BCHC as payment for the Shares. The Transaction will be implemented as a tax-free exchange and is supported by a fairness opinion on the valuation of the Shares and of the Properties prepared and issued by FTI Consulting, an independent fairness opinion provider accredited by both the SEC and the Philippine Stock Exchange ("PSE"). The Properties have been evaluated by AFMI and has been appraised by Cuervo.

The range of fair values indicated in the fairness opinion issued by FTI Consulting are as follows:

Table 3 – FTI Consulting Range of Fair Values for the Properties

Property	Low Estimate	High Estimate
ATG Tower 2	₱10,054,000,000.00	₱12,893,000,000.00
Greenbelt 3 and 5	5,004,000,000.00	5,630,000,000.00
Holiday Inn	2,420,000,000.00	2,719,000,000.00
Seda Ayala Center Cebu	1,235,000,000.00	1,388,000,000.00
BCHC Industrial Land	6,484,000,000.00	7,074,000,000.00
Total Range of Market Values	₱25,197,000,000.00	₱29,704,000,000.00

Table 4 – FTI Consulting Range of Fair Values for AREIT, Inc. Shares

(in PHP millions except for the per share values)

Method	Equity Value		Value per Share ¹	
	Low Estimate	High Estimate	Low Estimate	High Estimate
Discounted Cash Flows Method	75,652.01	84,375.35	31.94	35.62
<i>Cross Checks:</i>				
Volume Weighted Average Price Method	78,521.68	80,793.81	33.15	34.11
Comparable Public Companies Method Price-to-NTM EPS	69,792.19	78,698.47	29.47	33.23
Range of Market Values	₱75,652.01	₱84,375.35	₱31.94	₱35.62
¹ Total number of shares equal 2,368.61 million based on outstanding shares of 1,761.05 million and additional shares infusion of 607.56 million. * NTM = next twelve months				

The matter was approved by the Risk Management and Related Party Transactions Review Committee of AREIT (composed of Omar T. Cruz, as Chairman, Enrico S. Cruz, and Sherisa P. Nuesa, all independent directors as members) and ratified by the Board of Directors of the Company by unanimous vote on November 16 and 29, 2023.

The Company will apply for the listing of new shares issued to ALI, Greenhaven, Cebu Insular, and BCHC upon approval of all regulatory agencies, and the relevant exchange. The issuance of shares will be submitted for approval of the stockholders. A copy of the Comprehensive Corporate Disclosure is available in the Company's website <https://areit.com.ph> and at https://edge.pse.com.ph/openDiscViewer.do?edge_no=e8aec784183666709e4dc6f6c9b65995.

The Company will pay the following appropriate fees in connection with the proposed property-for-share swap:

Nature of Fees		Amounts in (Php)
(1)	Original Issuance of Shares out of the ACS	
a.	SEC	
	• Filing Fee	59,589,640.02
	• Legal Research Fee	595,896.40
b.	BIR	
	• DST on Original Issuance of Shares	84,125,941.20

(2) Listing of Shares (PSE)		
•	Processing Fee	50,000.00
•	Additional Listing Fee for Shares-for-Property Swap	29,794,820.01
(3) Property Transfer (Local Government Units)		
•	Local Transfer Tax	166,928,943.85
•	Registration Fees	74,487,050.02

(d) **If the securities are to be issued other than in a public offering for cash, state reasons for the proposed authorization or issuance and the general effect upon the rights of existing stockholders**

As the first Philippine Real Estate Investment Trust ("REIT") successfully listed amidst the COVID-19 pandemic, and true to its commitment to diversify and expand its portfolio through constant, accretive asset infusions, AREIT aspires to further grow its leasing portfolio with prime and stable assets. Since its IPO, AREIT delivered on its growth plan, resulting in a 46% total shareholder return from dividend yield and price appreciation, based on the closing price of ₱32.80 on September 29, 2023.

AREIT started with 153 thousand square meters equivalent to ₱30 billion of Assets Under Management ("AUM") in 2020. By December 2021, this has grown to 549 thousand square meters, equivalent to ₱53 billion in AUM. At the close of 2022, AREIT further grew its portfolio to 861 thousand square meters, equivalent to ₱64 billion in AUM. In September 2023, AREIT further grew its portfolio to 861 thousand square meters and ₱87 billion in AUM, nearly tripling its size since AREIT went public, exceeding its target to double in size within two years from its IPO. With this asset infusion, AREIT will further grow its building portfolio to over one million square meters in gross leasable area and 286 hectares of industrial land totaling ₱117 billion in AUM.²⁰ The new asset infusion of prime commercial buildings as well as industrial land will expand, balance, and diversify AREIT's portfolio to capture growth opportunities across various types of real estate. Furthermore, the acquisition of land assets strengthens the Company's potential for long-term capital appreciation while earning guaranteed lease income on the property

The Properties are expected to contribute further to AREIT's operating cashflows, boosting dividends per share. At capitalization rates of 6.8% and 6.92% for the properties of ALI and the Subsidiaries, and the BCHC industrial land, respectively, the Properties were valued based on a stable level of operating income and the expected yield of the property after considering a long-term sustainable growth of 3% for the office asset, 2.5% for mall and hotel assets, and 1.5% for industrial land. AREIT's 2023 yield is approximately 6.6% from its existing assets based on the 30-day VWAP of ₱32.77. Hence, the asset-for-share swap would be accretive and potentially increase the overall yield to approximately 6.96% after the new assets are infused. Estimated yields and total shareholder return are subject to actual operating performance and market conditions.

The issuance of shares in favor of ALI, the Subsidiaries, and BCHC, will have the effect of diluting the ownership interest of the existing stockholders of the Company to the extent of such shares, and such existing stockholders shall have no pre-emptive rights on such shares.

(e) **Valuation**

FTI Consulting was engaged by the Company for the issuance of the independent fairness opinion and valuation for the property-for-share swap. FTI Consulting was selected for their competency, experience, and ability to deliver under a tight timeline. They have a long track record of providing professional services in the Philippines and is a market-leading global consulting firm that offers a comprehensive suite of services, including services for mergers and acquisitions, project finance advisory, valuation and purchase price allocation, and financial model preparation and review, among others.

²⁰ Inclusive of the proposed acquisition of Seda Lio from Econorth Hotel Ventures, Inc. for ₱1,192,000,000.00, as previously disclosed by the Company.

The Company and all parties to the property-for-share swap have no special instruction or imposed no limitation to FTI Consulting that will compromise the independence of the latter and will invalidate the fairness opinion.

FTI used the Discounted Cashflows ("DCF") Approach as the primary method to estimate the fair value of the Shares and Properties. Under the DCF approach, FTI Consulting discounted the cashflows of AREIT and the Properties based on a weighted average cost of capital ("WACC") using the Capital Asset Pricing Model. The Comparable Public Companies Method and Volume Weighted Average Price Method were used as secondary methods to cross-check the value of the AREIT shares. The Direct Capitalization Approach was used to cross-check the value of the Properties.

Item 10. Modification or Exchange of Securities

The Company will not be presenting any matter or act involving the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class during the meeting.

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2023, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information will be attached to the Company's Definitive Information Statement for its Annual Stockholders' Meeting to be held on April 23, 2024. The Schedules required under Part IV(c) of Rule 68 will be included in the Annual Report (SEC Form 17-A) to be filed in due course.

The most recent Quarterly Report (SEC Form 17-Q) of the Company for third quarter 2023 is attached herewith as Annex "D."

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no proposed merger, consolidation, acquisition by sale, or liquidation of the Company that will be presented during the meeting.

Item 13. Acquisition or Disposition of Property

Background of the Transaction

The acquisition of properties owned by ALI, the Subsidiaries, and BCHC valued at Twenty-Eight Billion Six Hundred Two Million Eight Hundred Twenty Thousand Eight Pesos (₱28,602,820,008.00) in exchange for the issuance of 841,259,412 primary common shares to ALI, the Subsidiaries, and BCHC, via a property-for-share swap, will be presented to the stockholders for approval. AFMI has recommended the acquisition of the Properties after independent valuation of the assets, based on the Properties' background, track record, and available third-party appraisal and valuation reports, and in accordance with the Company's investment policy.

The Company, ALI, the Subsidiaries, and BCHC will execute a property-for-share swap transaction whereby the Company will issue the Shares to ALI, the Subsidiaries, and BCHC (as illustrated in the table below) in exchange for the following properties valued at ₱28,602,820,008.00 at the Transaction Price of ₱34.00 per share, set at a 3.75% premium over the 30-day VWAP or the Market Price of ₱32.77, and as validated by a fairness opinion issued by FTI Consulting.

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

Property	Registered Owner	Fair Market Value (in Php)	Transaction Value (in Php)
ATG Tower 2	ALI	12,474,406,000.00	12,480,755,836.00
Greenbelt 3 and 5	ALI	5,423,621,000.00	5,414,024,408.00
Holiday Inn	Greenhaven*	2,638,647,000.00	2,635,203,116.00
Seda Ayala Center Cebu	Cebu Insular*	1,327,325,000.00	1,303,115,756.00

BCHC Industrial Land	BCHC	6,734,208,000.00	6,769,720,892.00
Total		₱28,598,207,000.00	₱28,602,820,008.00
<i>*Greenhaven and Cebu Insular are subsidiaries of ALI. Greenhaven is a wholly-owned subsidiary of Ayala Hotels and Resorts Corporation (AHRC), a wholly-owned subsidiary of ALI. Cebu Insular is owned by both ALI and AHRC.</i> <i>(collectively, the "Properties")</i>			

An overview of the Properties are as follows:

	Ayala Triangle Tower 2	Greenbelt 3 & 5	Holiday Inn & Suites Makati	Seda Ayala Center Cebu	Zambales Industrial Land
Year Completed	2021	Greenbelt 3 – 2004 (2022 Renovation Completion); Greenbelt 5 - 2007	2013	2018	N/A
Service Contract	N/A	N/A	N/A	N/A	2021
Description	Triple A Headquarter Office	Premier Lifestyle Mall	Contemporary Business Hotel	Contemporary Business Hotel	Industrial Land (Solar Power Plant)
Location	Ayala Triangle Gardens, Makati City	Ayala Center, Makati City	Glorietta, Ayala Center, Makati City	Ayala Center Cebu, Cebu Business Park	Palauig, Zambales
Project Owner	Ayala Land, Inc.	Ayala Land, Inc.	Greenhaven Property Ventures, Inc.	Cebu Insular Hotel Company, Inc.	Giga ACE 8, Inc.
GLA (sq. m)	63,150	93,732	26,218	13,759	2,759,135
2024 Occupancy	98%	100%	100%	100%	100%
Right over Land	Leasehold	Leasehold	Leasehold	Leasehold	Freehold
Landowner	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Cebu Insular Hotel Company, Inc.	Buendia Christiana Holdings Corp.
Land Lease Term	38 years	36 years	36 years	36 years	25 years, renewable for another 25 years
Master Lease Escalation	N/A	2.5% per annum	2.5% per annum	2.5% per annum	1.5% per annum

Table 2 – Breakdown of Shares to be Issued to ALI, Greenhaven, Cebu Insular, and BCHC

Stockholder	Number of Shares
ALI	526,317,066
Greenhaven	77,505,974
Cebu Insular	38,326,934
BCHC	199,109,438
TOTAL	841,259,412

The Properties will be used by ALI, the Subsidiaries, and BCHC as payment for the Shares. The Transaction will be implemented as a tax-free exchange and is supported by a fairness opinion on the valuation of the Shares and of the Properties prepared and issued by FTI Consulting, an independent fairness opinion provider accredited by both the SEC and the PSE. The Properties have been evaluated by AFMI and has been appraised by Cuervo.

The infusion of the Properties into AREIT through the Transaction is in line with the objective of AREIT and its Sponsor, ALI, and the Ayala Group of Companies to grow the asset base of AREIT through the infusion of several high-quality assets to maximize value accretion for AREIT's shareholders.

The Transaction is subject to the approval of AREIT stockholders at the Company's special meeting to be held on February 12, 2024.

AREIT will apply for the additional listing of the Shares resulting from the original issuance of shares in favor of ALI, the Subsidiaries, and BCHC. The final Transaction Price is set at a 3.75% premium over the 30-day VWAP of ₱32.77 or the Market Price. In accordance with the PSE's Consolidated Listing and Disclosure Rules ("PSE Rules"), Article V, Part A, Section 3, paragraph (a), "Market Price" means the volume weighted average of the closing prices for a period of thirty (30) Trading Days prior to the transaction or the date of the approval of the Board of Directors. As such, the Transaction falls within the Exceptions to the conduct of a rights or public offering requirement of the PSE Rules, thus:

"ARTICLE V
ADDITIONAL LISTING OF SECURITIES

PART A
GENERAL

XXX

SECTION 3. Exceptions to the Rights or Public Offering Requirement – The Exchange shall grant an exception to the rights or public offering requirement in the following cases:

- (a) The transaction price for the shares subscribed is set at a premium over the prevailing market price. Market Price shall mean the weighted average of the closing prices for a period of thirty (30) Trading Days prior to the transaction;

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

"Section 40. Determination of Amount and Recognition of Gain or Loss –

(C) Exchange of Property – * * *

(2) Exception. – * * *

No gain or loss shall also be recognized on a corporation or on its stock or securities if such corporation is a party to a reorganization and exchanges property in pursuance to a plan of reorganization solely for stock or securities in another corporation that is a party to the reorganization. A reorganization is defined as: ***

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

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

Further, in the case of *Commissioner of Internal Revenue vs. Lucio L. Co, et al.* (G.R. No. 241424, 26 February 2020) reiterated that Section 40(C)(2) applies even in cases where the transferors collectively gain or maintains control of the transferor, as such the Supreme Court "clarified that it is

not necessary that, after the exchange, each of the transferors individually gains control of the transferee corporation.” The Court explained that the application of Section 40(C)(2) “does not prohibit instances where the transferor gains further control of the transferee corporation” and that “the element of control is satisfied even if one of the transferors is already owning at least 51% of the shares of the transferee corporation, as long as after the exchange, the transferors, not more than five, collectively increase their equity in the transferee corporation by 51% or more.”

The Company expects to execute the Deed of Exchange and file the application for approval of the original issuance of shares with the SEC within March 2024, and the issuance of the Certificates Authorizing Registration ("CAR") with the relevant Revenue District Office of the Bureau of Internal Revenue ("BIR") within the third quarter of 2024. The SEC's approval of the Transaction is expected to be issued within the third quarter of 2024, and the BIR's CAR issuance is expected to be issued within the fourth quarter of 2024. The Company shall likewise apply for the additional listing of shares with the Exchange by the first quarter of 2025. The indicative timetable for implementation of the Transaction is as follows:

Table 5 – Indicative Timetable for Implementation

Special Stockholders' Meeting	February 2024
Deed of Exchange Execution	March 2024
SEC Approval (Issuance of Shares and Transaction)	Q2 to Q3 2024
Issuance of CAR	Q4 2024
PSE Listing of Additional Shares	Q2 2025

Nature and amount of consideration

The Properties were valued by the Company at ₱28, 602,820,008.00 and the Transaction Price of ₱34.00 per share set at a 3.75% premium over the 30-day VWAP or Market Price of ₱32.77. Both valuations for the Shares and the Properties fall within the range of fair values identified by FTI Consulting and the Appraisal Reports issued by Cuervo.

The Company will issue the Shares to ALI, the Subsidiaries, and BCHC at an issue price of ₱34.00 per share, set at a 3.75% premium over the 30-day VWAP or the Market Price of ₱32.77 or, which is based on AFMI's valuation of the shares, and which the Company believes is fair to both the Company, as the issuer, and ALI, the Subsidiaries, and BCHC, as the subscribers. The issue price of ₱34.00 per share is within the range of fair values based on the fairness opinions issued by FTI Consulting.

Subject to regulatory approvals, including the BIR's CAR issuance allowing the transfer of properties to AREIT as a tax-free exchange under the Tax Code, as amended, and SEC's approval of the original issuance of shares to ALI, the Subsidiaries, and BCHC, the Transaction will close upon the listing of the shares with the PSE.

Valuation

FTI Consulting used the Discounted Cashflows ("DCF") Approach as the primary method to estimate the fair value of the Shares and Properties. Under the DCF approach, FTI Consulting discounted the cashflows of AREIT and the Properties based on a weighted average cost of capital ("WACC") using the Capital Asset Pricing Model. The Comparable Public Companies Method and Volume Weighted Average Price Method were used as secondary methods to cross-check the value of the AREIT shares. The Direct Capitalization Approach was used to cross-check the value of the Properties.

Identities of the Beneficial Owners

Table 6 – Identity of Beneficial Owners of the Shares Subscribed

Beneficial Owners/ Subscribers	Nature of Business	Nature of any material relationship with the Issuer and the parties to the transaction, their directors/officers
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		or any of their affiliates
Ayala Land, Inc.	ALI is a public corporation organized under the laws of the Philippines. ALI is the largest property developer in the Philippines with a solid track record in developing large-scale, integrated, mixed-use, sustainable estates that are thriving economic centers in their respective regions. ALI holds a balanced and complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses.	<p>ALI is the Sponsor of AREIT and, as of date hereof, directly and indirectly owns 66% of AREIT shares, as follows:</p> <p>ALI – direct ownership of 1,026,398,049 shares equivalent to 43.33%</p> <p>AyalaLand Malls, Inc. (ALMI) – direct ownership of 287,186,771 shares equivalent to 12.12% (ALMI is 100% owned by ALI)</p> <p>AyalaLand Offices, Inc. (ALO) – indirect ownership of 96,292,435 shares equivalent to 4.06% (ALO is 100% owned by ALI)</p> <p>Westview Commercial Ventures Corp. (WCVC) – direct ownership of 37,443,313 shares equivalent to 1.58% (WCVC is 100% owned by ALI)</p> <p>Northbeacon Commercial Corporation (NBCC) – direct ownership of 55,382,567 shares equivalent to 2.34% (WCVC is 100% owned by ALI)</p> <p>GDI – indirect ownership of 62,146,531 shares equivalent to 1.58% (GDI is 100% owned by ALO)</p>
Greenhaven Property Ventures, Inc.	Greenhaven is organized as a real estate development company and is authorized to engage in the business of operating and managing hotels. It is the owner and operator of Holiday Inn & Suites Makati.	Greenhaven is a wholly-owned subsidiary of Ayala Hotels and Resorts Corporation (AHRC), a wholly-owned subsidiary of ALI
Cebu Insular Hotel Co., Inc.	Cebu Insular is organized primarily to engage in the business of a hotel, apartment hotel, inn, resort, restaurant, café, bar, entertainment, and other allied businesses. It is the owner and operator of Seda Ayala Center Cebu.	Cebu Insular is a subsidiary of ALI and AHRC.
Buendia Christiana Holdings Corp.	BCHC is organized primarily to engage in the activities of a holding company except as a stockbroker or dealer of securities. It is the owner of the 276-hectare industrial parcel of land in Zambales.	BCHC is a wholly-owned subsidiary of ACEN Corporation (PSE: ACEN). Both ACEN and ALI are part of the Ayala Group with Ayala Corporation owning 58.17% of ACEN and 51.01% of AREIT as of 30 November 2023.

Ownership Structure of the Company Before and After the Transaction

Table 7 – Ownership Structure of the Company Before and After the Transaction

Stockholder	Current (before property for share swap)		Indicative Post-Transaction (after the property for share swap)	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
ALI	1,026,398,049	43.33%	1,273,715,115	39.68%
ALO	96,292,435	4.06%	96,292,435	3.00%
Westview	37,443,313	1.58%	37,443,313	1.17%
GDI	62,146,531	2.62%	62,146,531	1.94%
ALMI	287,186,771	12.12%	287,186,771	8.95%
NBCC	55,382,567	2.34%	55,382,567	1.73%
Greenhaven	0	0.00%	77,505,974	2.41%
Cebu Insular	0	0.00%	38,326,934	1.19%
BCHC	0	0.00%	199,109,438	6.20%
Directors and Officers	4,014,507	0.17%	4,014,507	0.13%
Non- ALI/Public	799,742,400	33.76%	1,078,742,400	33.61%
TOTAL	2,368,606,573	100%	3,209,865,985	100%

The Company shall ensure that ALI sells some of its AREIT shareholdings prior to the approval by the SEC of the Transaction to ensure compliance with the minimum public ownership requirements imposed upon the Company. The relevant disclosures on the sale of shareholdings, as well as the Reinvestment Plan for the proceeds received by ALI from the sale of the shareholdings will be made in due course. The Transaction and the sale of ALI's shareholdings in the Company will not reduce the public float.

Item 14. Restatement of Accounts

The accounting policies adopted will be disclosed in the Company's audited financial statements for full year 2023 and the Company's Definitive Information Statement for its Annual Stockholders' Meeting to be held on April 23, 2024.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

There are no matters or actions to be taken up in the Special Stockholders' Meeting with respect to the Company's reports.

Item 16. Matters Not Required to be Submitted

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

Item 17. Amendment of Charter, By-Laws or Other Documents

There are no matters or actions to be taken up in the meeting with respect to amendment of the Company's Charter, By-Laws or other documents.

Item 18. Other Proposed Action

There are no other proposed matters or actions to be taken up in the Special Stockholders' Meeting.

Item 19. Voting Procedures

- (a) **Vote required:** The affirmative vote of the stockholders owning at least a majority of the outstanding shares of stock represented at the Special Stockholders' Meeting, at which a quorum is present, is required for the approval of all matters presented to the stockholders for decision.
- (b) **Method of Voting:** Straight and Cumulative Voting

In all items for approval, each share of stock entitles its registered owner as of the Record Date to one (1) vote. As explained in Item 20 below, stockholders will only be allowed to vote by appointing the Chairman of the meeting, or his alternates, as their proxy or electronically via remote communication or *in absentia*.

A stockholder may vote electronically *in absentia* or through remote communication using the online web address, <http://www.ayalagroupshareholders.com/>,²¹ subject to validation procedures. A stockholder voting electronically *in absentia* or through remote communication shall be deemed present for purposes of quorum.

Proxies and Voting Instruction shall be in writing, signed and filed, by the stockholders, in the form provided in this DIS, and shall be received by the Corporate Secretary at corporate.secretary@areit.com.ph on or before February 1, 2024.

All votes will be counted and tabulated by the Proxy Validation Committee and the results will be validated by an independent third party.

Item 20. Participation of Shareholders by Remote Communication

The Chairman of the Board, pursuant to the authority delegated by our Board of Directors during its meeting on November 16, 2023, has approved the conduct of the meeting in a fully virtual format. Stockholders may attend the meeting only by remote communication, as set forth below, and by voting *in absentia*, as provided in Item 4(c) and Item 18 above, or voting through the Chairman of the meeting as proxy.

The live webcast of the meeting shall be accessible through the following online web address: <http://www.ayalagroupshareholders.com/> to shareholders who registered in the Company's secured online voting system (the "Voting System"). A Meeting livestreaming access button will be available on the Stockholder's dashboard in the Voting System on the date set for the Meeting as indicated in the Company's Notice of Meeting. To enable the Company to perform validation procedures, identify the shareholders participating by remote communication and record their presence for purposes of quorum, the shareholders shall inform the Company by email to corporate.secretary@areit.com.ph on or before February 1, 2024, of their intention to participate in the meeting by remote communication.

Stockholders may email questions or comments prior to or during the meeting at the following email address: corporate.secretary@areit.com.ph. The detailed instructions for participation through remote communication are set forth in Annex A (V).

Item 21. Acceptance of Stockholder Proposals on Agenda Item

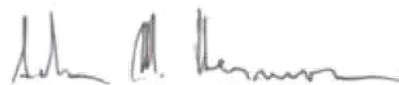
Stockholders of record as of January 15, 2024 owning at least 5% of the total outstanding capital stock of the Company may submit proposals on items for inclusion in the agenda on or before February 5, 2024.²²

²¹ A stockholder may vote through <http://www.ayalagroupshareholders.com/> for the special stockholders' meeting of the Company to be held on February 12, 2024.

²² The inclusion of the proposed agenda item shall be in accordance with SEC Memorandum Circular No. 14, Series of 2020, and the Company's internal guidelines.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of Makati on the 8th day of January 2024.

AREIT, INC.

A handwritten signature in black ink, appearing to read 'Solomon M. Hermosura', is positioned above the printed name.

SOLOMON M. HERMOSURA
Corporate Secretary

ANNEX “A”

**2024 SPECIAL STOCKHOLDERS’ MEETING
OF
AREIT, INC.
(THE “MEETING”)**

**REQUIREMENTS AND PROCEDURE FOR
ELECTRONIC VOTING IN ABSENTIA
AND
PARTICIPATION BY REMOTE COMMUNICATION**

Participation by remote communication and electronic voting via remote communication or *in absentia* shall be allowed only through complete registration and successful validation in the Company’s secured online voting system (the “Voting System”). .

I. REGISTRATION

1. The special stockholders’ meeting of AREIT, Inc. on February 12, 2024 will be conducted entirely via remote communication. Voting on the agenda item/s will be done electronically.
2. Stockholders as of January 15, 2024 (“Stockholders”) may register in the Voting System to participate by remote communication. The link for registration to the Voting System is <http://www.ayalagroupshareholders.com/>. The link is likewise posted in the AREIT website. Stockholders with a valid email address on file with the Office of the Corporate Secretary will receive an electronic mail (e-mail) message providing the link for registration.
3. The Stockholder intending to participate in the meeting shall click on the link and provide the information and documentary requirements for registration set forth below. The deadline for registration to participate by remote communication is on February 7, 2024.
4. In addition to their registration in the Voting System, Stockholders are requested to notify the Company by e-mail to corporate.secretary@areit.com.ph on or February 7, 2024 of their intention to participate in the Meetings by remote communication.
5. Stockholders who previously registered in the Voting System may continue using their credentials (username and password) to log-in. The Stockholder must still submit the requirements indicated below.
6. The following are needed for registration:
 - 5.1. For individual Stockholders (those with certificated stocks and not lodged through a broker / PDTC) –
 - 5.1.1. A recent photo of the Stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
 - 5.1.2. A scanned copy of the Stockholder’s valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
 - 5.1.3. A valid and active e-mail address;
 - 5.1.4. A valid and active contact number.
 - 5.2. For Stockholders with joint accounts (those with certificated stocks and not lodged through a broker / PDTC) –
 - 5.2.1. A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (in JPG or PDF format). The file size should be no larger than 5MB;
 - 5.2.2. A recent photo of the Stockholder authorized to vote, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;

- 5.2.3. A scanned copy of the valid government-issued ID showing photo and personal details, preferably with residential address of the Stockholder authorized to vote (in JPG or PDF format). The file size should be no larger than 5MB;
- 5.2.4. A valid and active e-mail address;
- 5.2.5. A valid and active contact number.
- 5.3. For Stockholders under Broker accounts –
 - 5.3.1. A broker's certification on the Stockholder's number of shareholdings (in JPG or PDF format). The file size should be no larger than 5MB;
 - 5.3.2. A recent photo of the stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
 - 5.3.3. A scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
 - 5.3.4. A valid and active e-mail address;
 - 5.3.5. A valid and active contact number;
- 5.4. For corporate Stockholders –
 - 5.4.1. A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG or PDF format). The file size should be no larger than 5MB;
 - 5.4.2. A broker's certification on the Stockholder's number of shareholdings (in JPG or PDF format). The file size should be no larger than 5MB;
 - 5.4.3. A recent photo of the Stockholder's representative, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
 - 5.4.4. A scanned copy of the valid government-issued ID of the Stockholder's representative showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
 - 5.4.5. A valid and active e-mail address of the Stockholder's representative;
 - 5.4.6. A valid and active contact number of the Stockholder's representative.
- 7. Stockholders who will not submit online any of the following requirements or those who do not complete the online registration process and verification or those that supply incomplete or inconsistent information will not be registered online and consequently will not be able to vote electronically or in absentia.
- 8. All registered accounts shall be subject to the validation process set forth below.
- 9. Registration will commence on January 16, 2024 and will end on February 7, 2024.

II. VERIFICATION

- 1. Stockholders who, as of record date, are also Stockholders of the other publicly listed corporations in the Ayala group only need to register one account in the Voting System and may "Add another company" in their respective profiles, as applicable. The digital absentee ballot for each corporation shall be separately accessed from the Stockholder's Dashboard in the Voting System and votes shall be cast per corporation.
- 2. Incomplete or inconsistent information will result in an unsuccessful registration. As a result, Stockholders will not be allowed access to vote electronically *in absentia*, but may still vote through the Chairman of the Board of Directors, or his alternates as proxy, by submitting a duly accomplished proxy form, on or before February 1, 2023.
- 3. The validation process in the Voting System will be completed by the Company no later than three (3) business days from the date of the Stockholder's complete registration. The Stockholder's Dashboard in the Voting System will indicate the status of registration.
- 4. Upon completion of the verification process, the Stockholder will receive an e-mail confirmation on their successful registration. Registered Stockholders may cast their votes using the

electronic ballot posted on the Voting System upon registration and have until the end of the Meeting to cast their votes *in absentia*.

III. ELECTRONIC VOTING VIA REMOTE COMMUNICATION OR *IN ABSENTIA*

1. Once the Stockholder or his proxy has successfully registered ("Registered Stockholder"), they may proceed to electronically vote by remote communication or *in absentia* on all matters in the Agenda indicated in the Notice of the Meeting through the Voting System using the electronic ballot found therein.
2. All agenda items indicated in the Notice of the Meeting will be set out in the digital absentee ballot in the Voting System. The registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
3. Once voting on the agenda item is finished, the registered Stockholder can proceed to submit the accomplished ballot by clicking the 'Submit' button.
4. The Voting System will prompt the Stockholder to confirm the submission of the ballot. The votes cast by remote communication or *in absentia* will have equal effect as votes cast by proxy.
5. After the ballot has been submitted, Stockholders may no longer change their votes except by submitting a duly accomplished proxy and voting instruction form within the set deadline.
6. The Proxy Validation Committee will tabulate all votes cast by remote communication or *in absentia* together with the votes cast by proxy, and a firm selected for this purpose will validate the results.

IV. VOTING BY PROXY

1. The Company is soliciting proxies in connection with the special meeting of its stockholders on February 12, 2024.
2. Stockholders of record as of January 15, 2024 may issue the Proxy and Voting Instruction included in this Definitive Information Statement in favor of the Chairman of the meeting. The Proxy and Voting Instruction form should be submitted to the Office of the Corporate Secretary on or before February 1, 2024 at 4/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City or by email to corporate.secretary@areit.com.ph.
3. The Proxy and Voting Instruction form must be accompanied by the following requirements:
 - 3.1. For individual Stockholders (those with certificated stocks and not lodged through a broker / PDTC) –
 - 3.1.1. A scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
 - 3.1.2. If the proxy is not the Chairman of the meeting, a scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format) of the appointed proxy. The file size should be no larger than 5MB;
 - 3.1.3. A valid and active e-mail address;
 - 3.1.4. A valid and active contact number.
 - 3.2. For Stockholders with joint accounts (those with certificated stocks and not lodged through a broker / PDTC) –
 - 3.2.1. A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (in JPG or PDF format). The file size should be no larger than 5MB;
 - 3.2.2. A scanned copy of the valid government-issued ID showing photo and personal details, preferably with residential address of the Stockholder

- authorized to vote (in JPG or PDF format). The file size should be no larger than 5MB;
 - 3.2.3. If the proxy is not the Chairman of the meeting, a scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format) of the appointed proxy. The file size should be no larger than 5MB;
 - 3.2.4. A valid and active e-mail address;
 - 3.2.5. A valid and active contact number.
 - 3.3. For Stockholders under Broker accounts –
 - 3.3.1. A broker's certification on the Stockholder's number of shareholdings (in JPG or PDF format). The file size should be no larger than 5MB;
 - 3.3.2. A scanned copy of the valid government-issued ID showing photo and personal details, preferably with residential address of the Stockholder authorized to vote (in JPG or PDF format). The file size should be no larger than 5MB;
 - 3.3.3. If the proxy is not the Chairman of the meeting, a scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format) of the appointed proxy. The file size should be no larger than 5MB;
 - 3.3.4. A valid and active e-mail address;
 - 3.3.5. A valid and active contact number.
 - 3.4. For corporate Stockholders –
 - 3.4.1. A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG or PDF format). The file size should be no larger than 5MB;
 - 3.4.2. e
 - 3.4.3. A valid and active e-mail address;
 - 3.4.4. A valid and active contact number.
- 4. Validation of proxies is set for February 5, 2024 at 9:00 o'clock in the morning.
- 5. The Proxy Validation Committee will tabulate the ballot/s cast by the Chairman of the meeting by virtue of the validated proxies submitted and will be counted together with all the votes cast *in absentia*, and a firm selected for this purpose will validate the results.

V. PARTICIPATION BY REMOTE COMMUNICATION

1. Stockholders that successfully registered through the Voting System or those that submitted proxies within the deadline may participate by remote communication in the Special Stockholders' Meeting on February 12, 2024.
2. For those that successfully registered through the Voting System, a Meeting livestreaming access button will be available in the Stockholder's dashboard in the Voting System on the Meeting date as indicated in the Corporation's Notice of the Meeting.
3. For those that submitted validated proxies, a link to the meeting will be sent through the Stockholder's registered e-mail address.
4. In addition to their registration in the Voting System, Stockholders are requested to notify the Company by e-mail to corporate.secretary@areit.com.ph on or February 7, 2024 of their intention to participate in the Meetings by remote communication.
5. Only the Stockholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the Stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum at the Meeting.
6. Stockholders may send their questions and/or remarks prior to or during the Meeting by e-mail to corporate.secretary@areit.com.ph.

7. A link to the recorded webcast of the Meeting will be posted on the Company's website after the Meeting. Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the Meeting conducted by e-mail to corporate.secretary@areit.com.ph.

For any clarifications, please contact our Office of the Corporate Secretary through corporate.secretary@areit.com.ph.



Property-for-Share Swap between AREIT, Inc., Ayala Land, Inc., Buendia Christiana Holdings Corp., Greenhaven Property Ventures, Inc. and Cebu Insular Hotel Co., Inc.

Fairness Opinion Report

STRICTLY PRIVATE & CONFIDENTIAL

13 November 2023

AREIT Fund Managers, Inc.

28F, Tower One & Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

Buendia Christiana Holdings Corp.

35F, Ayala Triangle Gardens Tower 2,
Ayala Triangle, Ayala Avenue, Makati City

Attention: Board of Directors of AREIT Fund Managers, Inc. and Buendia Christiana Holdings Corp.

Re: Fairness Opinion Report

Ladies and Gentlemen:

FTI Consulting Philippines, Inc. ("FTI Consulting") is pleased to submit this Fairness Opinion Report ("Report") covering the property-for-share swap transaction in relation to the planned infusion of certain properties (the "Properties") owned by Ayala Land, Inc. ("ALI"), Greenhaven Property Ventures Inc. ("GPVI"), Cebu Insular Hotel Co., Inc. ("CIHCI") and Buendia Christiana Holdings Corp. ("BCHC") into AREIT, Inc. ("AREIT").

ALI, GPVI, CIHCI, and BCHC intend to transfer the Properties to AREIT in exchange for primary shares to be issued by AREIT (the "Transaction"). The Properties consist of one office building (i.e., ATG Tower 2 in Makati City owned by ALI), one shopping mall (i.e., Greenbelt 3 & 5 in Makati City owned by ALI), two hotels, (i.e., Holiday Inn in Makati City owned by GPVI and Seda Ayala Center Cebu in Cebu City owned by CIHCI) and industrial lots (i.e., a 276-hectare land parcel located in the province of Zambales owned by BCHC, the "Zambales Lots"). Except for Zambales Lots, the land where the Properties are located will not be transferred. After the Transaction, ALI, GPVI, and CIHCI will continue earning lease income from the mall and hotels and lease these from AREIT. Further, AREIT will lease the Zambales Lots to GigaAce8, an ACEN subsidiary currently leasing from BCHC.

In this regard, FTI Consulting has been asked to render an opinion on whether the proposed exchange of AREIT shares for the Properties is fair from a financial point of view.

FTI Consulting conducted a valuation study of AREIT and the Properties in accordance with the 2022 International Valuation Standards (“IVS”) to determine the fairness of the consideration to be transferred and consideration to be received by AREIT. The following standards were used:

- IVS 101 Scope of Work
- IVS 102 Investigations and Compliance
- IVS 103 Reporting
- IVS 104 Bases of Value
- IVS 105 Valuation Approaches and Methods
- IVS 200 Business and Business Interests
- IVS 400 Real Property Interests*

The Valuation Date is 31 August 2023, with the Philippine Peso (“PHP”) as the Valuation Currency. Market Value (also referred to as “Fair Value”) is the basis of value used in this engagement. Market Value is defined in the IVS 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.

FTI Consulting considered the following a “special assumption¹” for purposes of valuing AREIT:

- Infusion of new properties (i.e., Glorietta BPO Towers 1 & 2, Glorietta 1 & 2 Malls, One Ayala – West Tower and East Tower, and Marquee Mall) into AREIT in exchange for 607.56 million primary shares to be issued by AREIT. This transaction will increase AREIT’s outstanding common shares to 2,368,606,573 from 1,761,047,193. The Securities and Exchange Commission (“SEC”) has approved the transaction, but as of the Valuation Date, the property infusion has not yet been formally recorded in the books of AREIT due to other required government clearances.

The Philippine Stock Exchange, Inc.’s (“PSE”) Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104) requires a fairness opinion covering the property-for-share swap transactions. Such fairness opinion must be supported by a valuation report. FTI Consulting is an independent firm accredited by the PSE for purposes of issuing fairness opinions and valuation reports of listed companies and prospective initial listing applicants of the Exchange in compliance with the PSE Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104). FTI Consulting is also accredited by the SEC (SEC Accreditation No. 032) as a Professional Services Organization (PSO) in accordance with SEC Memorandum No 2 Series of 2014 (Guideline on Asset Valuation).

*Provisions on valuation approaches and methods

¹ IVS 104 (Bases of Value), Section 200.4 states that “special assumptions are often used to illustrate the effect of possible changes on the value of an asset. They are designated as “special” so as to highlight to a valuation user that the valuation conclusion is contingent upon a change in current circumstances or that it reflects a view that would not be taken by participants generally on the valuation date.”

Summary of Findings

The Properties were valued using the Discounted Cash Flows (“DCF”) Method and Direct Capitalization Method under the Income Approach. AREIT, on the other hand, was valued using the DCF Method as the primary method. The Volume Weighted Average Price (“VWAP”) Method and Comparable Public Companies Method under the Market Approach were used as cross-checks. The estimated valuation ranges of the Properties and AREIT as of the Valuation Date are presented in Exhibits 1 and 2, respectively.

Exhibit 1. Valuation Summary – Properties

Properties	Low Estimate	High Estimate
In PHP millions		
ATG Tower 2	10,054.00	12,893.00
Greenbelt 3 & 5	5,004.00	5,630.00
Holiday Inn	2,420.00	2,719.00
Seda Ayala Center Cebu	1,235.00	1,388.00
Zambales Lots	6,484.00	7,074.00
TOTAL RANGE OF MARKET VALUES	25,197.00	29,704.00

Sources: FTI Consulting Analysis

Exhibit 2. Valuation Summary – AREIT

Method	Equity Value		Value per Share ¹	
In PHP millions except for the per share values	Low Est.	High Est.	Low Est.	High Est.
Discounted Cash Flows Method	75,652.01	84,375.35	31.94	35.62
<i>Cross-checks:</i>				
Volume Weighted Average Price Method	78,521.68	80,793.81	33.15	34.11
Comparable Public Companies Method				
Price-to-NTM EPS	69,792.19	78,698.47	29.47	33.23
RANGE OF MARKET VALUES	75,652.01	84,375.35	31.94	35.62

¹Total number of shares equal 2,368.61 million based on outstanding shares of 1,761.05 million and additional shares infusion of 607.56 million.

Source: FTI Consulting Analysis

*NTM = next twelve months

Fair Range of AREIT shares to be Exchanged

Given the range of market values of the Properties and the range of market values per share of AREIT, we determined the range of AREIT shares to be issued which is considered fair from a financial point of view as shown in Exhibit 3.

Exhibit 3. Fair Range of AREIT Shares to be Issued

Summary	Range of Market Values	
Amounts in PHP millions, except price per share	Low Estimate	High Estimate
ATG Tower 2	10,054.00	12,893.00
Greenbelt 3 & 5	5,004.00	5,630.00
Holiday Inn	2,420.00	2,719.00
Seda Ayala Center Cebu	1,235.00	1,388.00
Zambales Lots	6,484.00	7,074.00
AREIT (PHP/share) ¹	31.94	35.62

Fair Range of AREIT Shares to be Exchanged (in millions)	Low Estimate	High Estimate
ATG Tower 2	282.24	403.67
Greenbelt 3 & 5	140.47	176.27
Holiday Inn	67.93	85.13
Seda Ayala Center Cebu	34.67	43.46
Zambales Lots	182.02	221.48
Total Fair Range of AREIT Shares to be Exchanged	707.34	930.01

¹Rounded to two decimal places for presentation purposes

Source: FTI Consulting Analysis

Valuation Conclusion and Fairness Opinion

Exhibit 4 shows the comparison of the fair range of AREIT shares to be issued calculated by FTI Consulting and the proposed number of shares to be issued by AREIT's management in the Transaction.

Exhibit 4. Comparison of the Fair Range of AREIT Shares to be Issued and the Proposed Number of Shares to be Issued by AREIT

Total Number of Shares	Fair Range of Shares to be Issued		Proposed Number of Shares to be issued by AREIT
In Millions	Low	High	
ATG Tower 2	282.24	403.67	367.08
Greenbelt 3 & 5	140.47	176.27	159.24
Holiday Inn	67.93	85.13	77.51
Seda Ayala Center Cebu	34.67	43.46	38.33
Zambales Lots	182.02	221.48	199.11
Total number of shares	707.34	930.01	841.26

Source: FTI Consulting Analysis, AREIT Management

Given that the shares to be issued by AREIT fall within our fair ranges of shares that AREIT can issue in exchange for the Properties (as seen in Exhibit 4), we are of the opinion that the proposed Transaction is considered fair from a financial point of view.

Statement of Limitations

- This Report opines solely on the fairness of the number of primary shares to be issued by AREIT and the valuation of the Properties. It does not opine as to the operational merits or strategic rationale of the Transaction.
- In the preparation of the valuation report, FTI Consulting relied on available information and records, including but not limited on the representation of AREIT, ALI, GPVI, CIHCI, and BCHC, audited and unaudited financial statements, appraisal reports, and such other relevant supporting documents.
- While our work may include an analysis of financial and accounting data, our work does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls, or other attestation or review services in accordance with standards established by the Auditing and Assurance Standards Council ("AASC"). Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the AREIT and the Properties or any financial or other information.
- With respect to prospective financial information relative to the AREIT and the Properties referenced throughout the valuation report, we did not examine, compile, or apply agreed-upon procedures to such information in accordance with standards established by the AASC and we express no assurance of any kind on such information. There will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility for the achievability of the expected results anticipated by the Management.
- Management is responsible for any and all financial information provided to us during the course of our work.

Statement of Compliance

- The Report is reviewed and approved by the Senior Managing Directors of FTI Consulting. The Report is not approved by an internal committee.
- The Report does not express an opinion about the fairness of the compensation in the Transaction to any of AREIT's, ALI's, GPVI's, CIHCI's, and BCHC's directors, officers, or employees relative to the compensation to AREIT's, ALI's, GPVI's, CIHCI's, and BCHC's shareholders.
- FTI Consulting did not act as a financial advisor to any party to the Transaction and did not or will not receive a payment that is contingent on the successful completion of the Transaction, for rendering the fairness opinion.
- There is no material relationship between FTI Consulting and any party to the Transaction during the prior two years, in which compensation was received or intended to be received that will impair the independence of FTI Consulting.
- Information with respect to AREIT's and the Properties' operations and account balances purported to be in effect and described in our valuation report was obtained primarily through analyses provided by and discussions with AREIT's, ALI's, GPVI's, CIHCI's, and BCHC's management ("Management").
- FTI Consulting performed appropriate analysis to evaluate inputs and assumptions, and their appropriateness for the valuation purpose.
- Members of FTI Consulting, particularly those who are registered Certified Public Accountants and Chartered Financial Analysts, are compliant with the Code of Ethics of the Philippine Institute of Certified Public Accountants and the CFA Institute Code of Ethics.
- A brief description of FTI Consulting and the educational and professional qualification of its representatives who conducted the valuation is included in our valuation report.

Should you require clarification on any of the matters contained in this Report or any further information, we would be pleased to meet and discuss.

Yours faithfully,

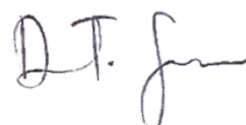
FTI CONSULTING PHILIPPINES, INC.

Suite 2403 Discovery Center,
25 ADB Avenue, Ortigas Center
Pasig City, 1605 Philippines
PSE Accreditation CN - No. 2022-0043
SEC Accreditation No. 032
Validity Date: 29 October 2020 to 28 October 2025

A handwritten signature in blue ink, appearing to read "John B. Balce".

John B. Balce

Senior Managing Director
Suite 2403 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City
PRC License No: 0113153
Validity Date: until 27 June 2025
PTR Number: 9588865
TIN: 236-703-421

A handwritten signature in blue ink, appearing to read "D.T. Gregorio III".

Dominador T. Gregorio III

Senior Managing Director
Suite 2403 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City
PRC License No: 0057726
Validity Date: until 18 May 2025
PTR Number: 9588864
TIN: 177-088-250

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Ayala Triangle Gardens Tower 2

Located in

**Paseo de Roxas corner Makati Avenue
Barangay Bel-Air, Salcedo Village
Makati City, Metro Manila**

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Avenue, Ayala Triangle
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**
President

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 13 November 2023. Our Independent Valuation Report was made on the basis of 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 (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Avenue, Ayala Triangle
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**
President

Subject : **CAI File No. 09-2023-0839A**
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal a certain real property exhibited to us as by the **AREIT FUND MANAGERS, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of **10 October 2023**.

The appraised property is the ***Ayala Triangle Gardens Tower 2 and its facilities***, located **Paseo de Roxas corner Makati Avenue, within Barangay Bel-Air, Salcedo 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 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 based on income approach (Discounted Cash Flow) as of **10 October 2023** is reasonably represented in the amount of **TWELVE BILLION FOUR HUNDRED SEVENTY FOUR MILLION FOUR HUNDRED SIX THOUSAND (Php12,474,406,000) PESOS.**

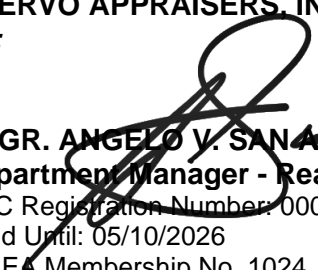
We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

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:


ENGR. ANGELO V. SAN ANTONIO
Department Manager - Real Estate
PRC Registration Number: 0000407
Valid Until: 05/10/2026
IPREA Membership No. 1024
PTR No. 9186355L
13 January 2023
City of Malolos

SRO:rvp

CAI File No. 09-2023-0839A

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. 09-2023-0839A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a certain real property located within Barangay Bel-Air, Salcedo 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 **10 October 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 clients and as shown to us by Mr. Jomari Antonio (OIC), the appraised property is the **Ayala Triangle Gardens Tower 2**, located **Paseo de Roxas corner Makati Avenue, within Barangay Bel-Air, Salcedo Village, Makati City, Metro Manila**.

The site of Ayala Triangle Garder Tower 2 is located on the southwest corner of Paseo de Roxas and Makati Avenue, it is located approximately 300-meter northeast from the intersection of Makati Avenue – Ayala Avenue; 990 meters northwest from the intersection Ayala Avenue - Epifanio Delos Santos Avenue(EDSA); 1.55 kilometers southeast from the intersection of Ayala Avenue – Sen. Gil J. Puyat Avenue; and about 435 meters southwest from the intersection Se. Gil J. Puyat Avenue – Makati Avenue.

Paseo de Roxas and Makati Avenue are both 20 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and 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 for 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 concrete, 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
- Paseo Center
- BDO Towers Valero
- Malaysian Embassy
- Prince Tower
- Makati Sports Club
- Crown Regency
- Ateneo De Manila University (Salcedo Campus)
- One Salcedo Place
- Jaime C. Velazquez Park

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 other parts of Metro Manila is available along Ayala Avenue which is approximately 300 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 Triangle Gardens Tower 2

The Ayala Triangle Gardens Tower 2 comprises offices on the Ground to 39th floors; 40th to 41st floors are machine rooms; and a helipad. The basement 1 are retail areas and the basement 2 to 5 are used as parking spaces.

This is a thirty-nine (39)-level of reinforced concrete framed building with two (2) level machine room, helipad and five (5)-level basement having concrete slab roof with water proofing membrane, aluminum composite panel cladding; skylight sheet on steel frame canopy; concrete slab soffit, fiber cement board and acoustic board on T-runner ceilings; cement plastered concrete hollow block with wall to wall granite tile finish, precast concrete, fixed glass on aluminum frame and glass curtain walls; cement plastered concrete hollow block partitions; fixed glass on aluminum frame and steel louver windows; ceramic tile, granite slab and plain concrete cement finished with epoxy paint floor; frameless glass panel, glass on aluminum frame, flush hollow metal, hollow metal with narrow glass vision lite, hollow metal with louver, and steel roll up doors; steel grill platform and walkway; concrete cement finished with epoxy paint stairways with steel nosing.

The machine room is made of concrete soffit slab ceiling, cement plastered concrete hollow block walls; steel louver windows; sliding steel louver, steel panel and plywood flush doors; and epoxy paint and plain cement finished concrete floors.

The rentable spaces are typically of concrete slab exposed ceiling, cement plastered concrete hollow block walls; glass on aluminum frame doors; and plain concrete cement flooring.

The building is divided into five (5) zones, namely the Low Zone (17th Floor Down); Mid Zone (18th - 28th Floor); High Zone (29th - 39th Floor); Retail Zone (Basement 5 - 3rd Floor) and Service Zone (Basement 5 - 41st Floor). It has a five (5) level basement. The parking area are serviced by two (2) elevators (Basement 5 - Ground Floor), the Low Zone is serviced by six (6) elevators; Mid Zone is serviced by seven (7) elevators; High Zone is service by seven (7) Elevators; Retail Zone is Service by five (5) elevators; two (2) Service Elevators, and one (1) Elevator (41st - Helipad).

This is equipped with 100% back-up generators; a centralized chilled water system; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Gross leasable area is 63,150 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 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

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 the 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. Discount rate is estimated at 10.30%, based on Capital Asset Pricing Model WACC computations as of September 30, 2023;
3. Capitalization rate adopted to arrive at the terminal value is 7.30% (10.30% WACC less 3% long term growth rate; and
4. Gross revenue of leasable spaces as well as operating expenses including leased on land were based on P & L provided to us by the client.
5. Marketing Cost is pegged at 3.5% of resale value.

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 TRIANGLE GARDENS TOWER 2																
Terminal Capitalization Rate		7.30%														
Discount Rate		10.30%														
			0	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25		11.25
		Year		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		Terminal Value
Present Worth Factor				0.9758	0.8847	0.8021	0.7272	0.6593	0.5977	0.5419	0.4913	0.4454	0.4038	0.3661		0.33191
Period Covered		"n"		0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	Totals	11.25
TOTAL REVENUES				1,247,853,406	1,379,400,342	1,422,620,671	1,476,501,497	1,528,058,874	1,570,740,486	1,617,839,970	1,652,632,298	1,699,853,689	1,748,927,060	1,803,171,257	15,344,428,292	1,622,854,131
LESS: EXPENSES				411,099,633	405,636,824	415,696,869	428,086,541	440,059,723	450,233,204	461,428,692	470,108,383	481,518,894	493,425,640	506,538,438	4,457,294,403	499,512,267
NET OPERATING INCOME				836,753,772	973,763,518	1,006,923,802	1,048,414,956	1,087,999,151	1,120,507,281	1,156,411,278	1,182,523,915	1,218,334,795	1,255,501,420	1,296,632,819	10,887,133,889	1,123,341,865
ADD: Reversion Value (Resale Value)																15,388,244,720
Net Reversion Value																15,388,244,720
Present Worth Factor @	10.30%	discount rate	-	0.97579	0.88467	0.80206	0.72716	0.65926	0.59769	0.54188	0.49128	0.44540	0.40381	0.36610		0.33191
Present Worth of Net Income			-	816,495,510	861,458,002	807,610,030	762,364,724	717,269,937	669,719,960	626,636,035	580,948,276	542,648,579	506,983,375	474,698,662	7,366,833,090	
Present Worth of Net Reversion Value																5,107,572,845
Total Present Value of Net Income				7,366,833,090												
Present Worth of Net Reversion Value				5,107,572,845												
Total				12,474,405,935												
Market Value of Property (building and its facilities)	PhP			12,474,405,935												
Rounded to	PhP			12,474,406,000												

On the basis of the foregoing, the market value of **Ayala Triangle Gardens Tower 2** (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php12,474,406,000**.

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Greenbelt 3 and 5

Located in
Barangay San Lorenzo
Makati City, Metro Manila

13 November 2023

AREIT FUND MANAGERS, INC.

28th 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 13 November 2023. Our Independent Valuation Report was made on the basis of 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 (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 09-2023-0839-001A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **10 October 2023**.

The appraised property consists of ***buildings and other land improvements of Greenbelt 3 and 5, including its facilities***, 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 personally inspected the property, 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 based on income approach (Discounted Cash Flow) as of **10 October 2023** is reasonably represented in the amount of **FIVE BILLION FOUR HUNDRED TWENTY-THREE MILLION SIX HUNDRED TWENTY-ONE THOUSAND (Php5,423,621,000) 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. 9186355L
13 January 2023
City of Malolos

JLT:mfm

CAI File No. 09-2023-0839-001A

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. 09-2023-0839-001A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a 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 **10 October 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 located **within Barangay San Lorenzo, Makati City, Metro Manila**.

The site of Greenbelt is bounded by Dela Rosa Street on the northeast; Makati Avenue on the southeast; Esperanza Street on the southwest; Paseo de Roxas Avenue on the northwest; and Legaspi Street on the north; approximately 145 meters southwest from Ayala Avenue; 610 meters southwest from the corner of Makati Avenue and Paseo de Roxas Avenue; 980 meters southwest from the intersection of Makati and Sen GIL J. Puyat Avenues; and about 2.0 kilometers southwest from the intersection of Epifanio de los Santos and Sen. Gil J. Puyat Avenues.

Makati and Paseo de Roxas Avenues are 30 and 20 meters wide, respectively. Both are concrete paved with asphalted topping and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center-island, while Esperanza and Legaspi Streets are 10 and 12 meters wide, respectively. Both 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 (MCBD), a well-planned area developed and fully improved with multi-storey office residential condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

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 15 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

- New World Hotel Makati City
- The Residences Greenbelt
- Fairmont Makati Hotel/Raffles Makati Hotel
- The Landmark
- Makati Shangri-La – Manila
- SM Makati
- Park Square
- Park Terraces
- Garden Towers
- Asian Institute of Management

Ayala Center and Greenbelt serve as the commercial and shopping centers in the area. Ayala Center is adjacent to Greenbelt. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are accessible from Makati Avenue and Paseo de Roxas Avenue.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available at the site.

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 about 300 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 and the Metropolitan Manila Development Authority (MMDA).

V. DESCRIPTION OF IMPROVEMENTS

The land is improved with buildings and other land improvements described as follows:

Buildings

Greenbelt 3

This is a three (3)-storey reinforced concrete framed building of pre-painted ribbed type long span sheet roof; fiber cement board ceilings; cement plastered concrete hollow block walls; glass on aluminum frame windows; glass panel; flush type and glass panel with sensor sliding doors; and marble tiles, ceramic tiles, plain cement, and epoxy paint finished floor.

The building features cafe and restaurants, as well as fashion retailers on the ground floor; casual dining outlets and cafes on the second floor; cinemas ticket lobby, cafes, bars, and family entertainment center on the third and movie theaters on the third floors.

This is painted and provided with electrical, plumbing, telecommunication, and HVAC facilities. This also has elevators, escalators and firefighting equipment. Total floor area is approximately 36,659 square meters.

The estimated remaining economic life is 24 years.

Greenbelt 5

This is a four (4) and three (3)-storey reinforced concrete framed building with roof deck and basement of pre-painted ribbed type long span sheet roof; fiber cement board ceilings; cement plastered concrete hollow block walls; glass on aluminum frame windows; glass panel; flush type and glass panel with sensor sliding doors; and marble tiles, ceramic tiles, plain cement, and epoxy paint finished floor.

This is painted and provided with electrical, plumbing, telecommunication, and HVAC facilities. This also has elevators, escalators and firefighting equipment. Total floor area is approximately 57,370 square meters.

The estimated remaining economic life is 27 years.

Note: Greenbelt Buildings 1 to 5 are interconnected.

Other Land Improvements

These consists of driveways, walkways and landscaping.

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, 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 the 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. Discount rate is estimated at 8.25% using the built-up method using the 25-year BVAL and Damodaran synthetic rating spread;
3. Capitalization rate adopted to arrive at the terminal value is 5.75%; and
4. Gross revenue of leasable spaces as well as operating expenses such as management fees, taxes and license were based on P & L provided to us by the client.

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) GREENBELT 3 AND 5																
Terminal Capitalization Rate		5.75%														
Discount Rate		8.25%														
Present Worth Factor			0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373			0.40991
			Period Covered	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	Totals	11.25
GROSS REVENUES				101,291,064	407,696,533	417,888,946	428,336,170	439,044,574	450,020,688	461,271,205	472,802,985	484,623,060	496,738,637	509,157,103	4,159,713,862	521,886,030
LESS: EXPENSES				20,092,347	80,837,859	82,723,455	84,656,191	86,637,246	88,667,827	90,749,173	92,882,552	95,069,266	97,310,648	99,608,064	819,626,564	101,581,048
NET OPERATING INCOME				81,198,717	326,858,674	335,165,491	343,679,978	352,407,328	361,352,861	370,522,032	379,920,433	389,553,794	399,427,989	409,549,039	3,340,087,297	420,304,982
ADD: Reversion Value (Resale Value)																7,309,651,867
Net Reversion Value																7,309,651,867
Present Worth Factor @	8.25% discount rate		0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373			0.40991
Present Worth of Net Income				79,605,338	296,022,780	280,411,945	265,621,693	251,609,094	238,333,448	225,756,171	213,840,687	202,552,320	191,858,203	181,727,179	2,427,338,859	
Present Worth of Net Reversion Value																2,996,282,529
Total Present Value of Net Income					2,427,338,859											
Present Worth of Net Reversion Value					2,996,282,529											
Total					5,423,621,388											
Market Value of Property (buildings and its facilities)	PhP				5,423,621,388											
Rounded to	PhP				5,423,621,000											

On the basis of the foregoing, the market value of the property Greenbelt 3 & 5 (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php5,423,621,000**.

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Holiday Inn & Suites Makati

Located in
**Ayala Center, Barangay San Lorenzo
Makati City, Metro Manila**

13 November 2023

AREIT FUND MANAGERS, INC.

28th 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 13 November 2023. Our Independent Valuation Report was made on the basis of 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) the Philippine Valuation Standards (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 09-2023-0839-002A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **09 October 2023**.

The appraised property consists of a ***building and its facilities, of the Holiday Inn and Suites Makati***, located **along Palm Drive 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 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 **09 October 2023** is reasonably represented in the amount of **TWO BILLION SIX HUNDRED THIRTY-EIGHT MILLION SIX HUNDRED FORTY-SEVEN THOUSAND (Php2,638,647,000) 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. 9186355L

13 January 2023

City of Malolos

MCC:moa

CAI File No. 09-2023-0839-002A

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. 09-2023-0839-002A

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 **09 October 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 Mr. Froilan Ilagan (client's representative), the appraised property is the **Holiday Inn & Suites Makati**, located **along Palm Drive, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The site of Holiday Inn & Suites is located on the northeast side of Palm Drive, approximately 100-meters northwest from East Street; 125-meters southeast from West Street; and about 270-meters northwest from Epifanio de los Santos Avenue (EDSA) near Ayala MRT Station.

Ayala Avenue, East and West Streets are correspondingly 40, 15 and 15 meters wide. These are concrete paved with asphalt overlay, provided with concrete sidewalks, concrete curbs and gutters, and underground drainage, and a center island.

III. NEIGHBORHOOD DATA

The Ayala Center is a major commercial development operated by Ayala Land located in the Makati Central Business District Makati, Metro Manila.

The Ayala Center is a recreational, shopping, dining, and entertainment development located in the heart of Makati. It is bounded by Ayala Avenue, Dela Rosa Street, and Legazpi Street to the north, Epifanio de los Santos Avenue (EDSA) to the east, Arnaiz Avenue to the south, and to the west by Paseo de Roxas. The Ayala station of MRT Line 3 serves the area.

Today, the complex includes several malls, each with its own shopping and restaurant arcades and cinemas; three department stores, a number of hotels; and the Ayala Museum, showcasing exhibits on Philippine history and art.

To ensure traffic decongestion, most of the streets within Ayala Center 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 50 meters and lighted with streetlights.

Some of the important improvements in the vicinity are:

Glorietta Malls
Dusit Thani Hotel
Park Square
Ayala Triangle Gardens
Ayala MRT Station
Assumption College San Lorenzo

Glorietta Malls, SM Makati, and The 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 Palm Drive by taxicab.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available in the subject hotel building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available in One Ayala Terminal which is approximately 500 meters from the subject hotel 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. LAND DATA

No copy of the title or any ownership documents provided to us by the client. However, as measured on Google Map, Holiday Inn and Suites Makati stands on 1,500-square meter lot.

Attached is the location plan of the property.

No title verification was conducted to confirm the existence of the owner's original copy of the title supposedly on file with the Registry of Deeds since it is not included in the assignment.

VI. DESCRIPTION OF THE IMPROVEMENTS

Holiday Inn & Suites Makati

This is a single tower building of sixteen (16)-storey with two (2)-level basements and roof deck sitting on top of the newly redeveloped Glorietta Mall. Building constructed to a 5-star hotel. The hotel houses 348 guest rooms which are comprised of standard rooms, junior suites, deluxe suites, and executive suites. A typical guest room floor has a footprint of about 1,240 square meters. Amenities include a lobby lounge, all day dining, bar, function rooms, business center, executive lounge, health club, fitness gym along Palm Drive.

This is a reinforced concrete frame, beams, columns and foundation; reinforced concrete plain cement with ceramic, marble, granite, vinyl, carpeted and automotive carbon black paint floor finish; gypsum board on aluminum T-runner, reinforced concrete, and suspended ceiling; cement plastered concrete hollow block walls, partially with floor to ceiling granite tile, wood cladding, stone strip tile and fixed glass on aluminum framed walls; cement plastered concrete hollow block, gypsum board, and low level with fabric cubicle wall partitions; reinforced concrete stairs, with steel handrail, wooden stair treads with glass and wood handrail; fixed glass on powder coated aluminum framed view and steel louver windows; steel canopy; wooden, flush type, glass on aluminum frame, frameless glass and steel panel doors.

This is equipped with 100% back-up generators; high-speed designated to hotel specifications; provisions of two (2) data and Telecom Providers; independent integrated fire alarm and monitor sprinkler system; fully integrated security and access control systems as per hotel standards; fully integrated building management systems for monitoring the various support systems; and seismic device monitoring system among others. Total floor area is 27,391-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 utility, as hotel** 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. Discount rate is estimated at 8.25% using built-up method based on 25-year BVAL and Damodaran synthetic rating spread;
3. Capitalization rate adopted to arrive at the terminal value is 5.75%; and
4. Gross revenue of leasable spaces as well as operating expenses such as management fees, taxes and license were based on P & L provided to us by the client; and

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) HOLIDAY INN AND SUITES MAKATI																
Terminal Capitalization Rate		5.75%														
Discount Rate		8.25%														
Present Worth Factor			0.9804	0.9057	0.8366	0.7729	0.7140	0.6596	0.6093	0.5629	0.5200	0.4803	0.4437		0.4099	
			Period Covered	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	Totals	11.25
GROSS REVENUES				49,303,800	198,447,795	203,408,990	208,494,215	213,706,570	219,049,234	224,525,465	230,138,602	235,892,067	241,789,368	247,834,103	2,024,756,106	254,029,955
LESS: EXPENSES				9,779,953	39,347,842	40,265,663	41,206,430	42,170,715	43,159,108	44,172,211	45,210,641	46,275,032	47,366,033	48,484,309	398,953,630	49,630,542
NET OPERATING INCOME				39,523,847	159,099,953	163,143,327	167,287,785	171,535,855	175,890,126	180,353,254	184,927,960	189,617,034	194,423,335	199,349,794	1,625,802,476	204,399,413
ADD: Reversion Value (Resale Value)																3,554,772,409
Net Reversion Value																3,554,772,409
Present Worth Factor @	0.0825	discount rate		0.9804	0.9057	0.8366	0.7729	0.7140	0.6596	0.6093	0.5629	0.5200	0.4803	0.4437		0.4099
Present Worth of Net Income				38,748,262	144,090,441	136,491,790	129,292,561	122,471,860	116,009,875	109,887,825	104,087,905	98,593,239	93,387,826	88,456,503	1,181,518,087	
Present Worth of Net Reversion Value																1,457,128,555
Total Present Value of Net Income																1,181,518,087
Present Worth of Net Reversion Value																1,457,128,555
Total																2,638,646,642
Market Value of Property (buildings and its facilities)			PhP	2,638,646,642												
			Rounded to	PhP	2,638,647,000											

On the basis of the foregoing, the market value of the **Holiday Inn and Suites Makati** (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,638,647,000**.

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Seda Ayala Center Cebu

Located in
Cebu Business Park
Barangay Hipodromo, Cebu City

13 November 2023

AREIT FUND MANAGERS, INC.

28th 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 13 November 2023. Our Independent Valuation Report was made on the basis of 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 (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 09-2023-0839-003A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **06 October 2023**.

The appraised property is the **Seda Ayala Center Cebu building and its facilities**, located **along Cardinal Rosales Avenue, 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 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 based on income approach (Discounted Cash Flow) as of **06 October 2023** is reasonably represented in the amount of **ONE BILLION THREE HUNDRED TWENTY-SEVEN MILLION THREE HUNDRED TWENTY-FIVE THOUSAND (Php1,327,325,000) 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. ANSELO V. SAN ANTONIO

Department Manager - Real Estate

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 9186355L

13 January 2023

City of Malolos

MRC:moa

CAI File No. 09-2023-0839-003A

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. 09-2023-0839-003A

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 **06 October 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

The appraised property is the **SEDA HOTEL – Ayala Center Cebu**, located **along Cardinal Rosales Avenue within Cebu Business Park, Barangay Hipodromo, Cebu City**.

The site of Seda Hotel is located across Cebu Holdings, approximately 100-meter southwest from the intersection of Mindanao Avenue and Cardinal Rosales Avenue; 250-meters northeast from Luzon Avenue; 600-meters southeast from Archbishop Reyes Avenue; 3.60-kilometers northeast from Cebu City Hall; and about 12.20-kilometers east from Mactan – Cebu International Airport.

Cardinal Rosales Avenue is 35 meters, concrete paved, provided with center island, concrete sidewalks, concrete curbs and gutters, and an underground drainage.

III. NEIGHBORHOOD DATA

The Cebu Business Park (CBP) is a 50-hectare master planned 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
- Lexmark Plaza
- Kepwealth Center Cebu (formerly Keppel Center)
- Pioneer House Cebu
- City Sports Club
- Cebu Holdings Center

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 the other parts of Metro Cebu is available along Cardinal Rosales Avenue where the 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.

V. LAND DATA

No copy of the title or any ownership documents provided to us by the client. However, as measured on Google Map, Seda Hotel – Ayala Center Cebu stands on 5,600-square meter lot.

Attached is the location plan of the property.

No title verification was conducted to confirm the existence of the owner's original copy of the title supposedly on file with the Registry of Deeds since it is not included in the assignment.

VI. DESCRIPTION OF IMPROVEMENTS

Seda Hotel (Ayala Center Cebu)

This is a four (4) star twelve (12)-storey reinforced concrete framed hotel building with basement and roof deck, features 301-guest room comprises of standard rooms, business twin king, club suite and presidential suite. Amenities include a lobby lounge, all day dining, bar, function rooms, business center, executive lounge, health club, fitness gym along Cardinal Rosales Avenue.

This has reinforced concrete frame, beams, columns and foundation; reinforced concrete floor slab with plain cement, ceramic, marble, granite and vinyl tiles, and wall to wall carpet finishes; gypsum board on aluminum T-runner, acoustic board on aluminum T-runner and suspended ceiling; cement plastered concrete hollow block partially with wood cladding, Deco Stone strip tile and fixed glass on aluminum framed walls; cement plastered concrete hollow block, tempered glass on aluminum frame, gypsum board, and laminated wood cubicle partitions; tempered fixed glass on powder coated aluminum framed view, awning tempered glass on powder coated aluminum frame and steel louver windows; wood panel, laminated wood, glass on aluminum frame, frameless glass and steel panel doors; and reinforced concrete stairs with steel handrail.

This is equipped with 100% back-up generators; high-speed designated to hotel specifications; provisions of two (2) data and Telecom Providers; independent integrated fire alarm and monitor sprinkler system; fully integrated security and access control systems as per hotel standards; fully integrated building management systems for monitoring the various support systems; and seismic device monitoring system among others. Total floor area is 13,579-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 utility, as hotel** 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. Discount rate is estimated at 8.25% using built-up method based on 25-year BVAL and Damodaran synthetic rating spread;
3. Capitalization rate adopted to arrive at the terminal value is 5.75%; and
4. Gross revenue of leasable spaces as well as operating expenses such as management fees, taxes and license were based on P & L provided to us by the client.

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) SEDA HOTEL AYALA CENTER CEBU																
Terminal Capitalization Rate		5.75%														
Discount Rate		8.25%														
Present Worth Factor				0.9804	0.9057	0.8366	0.7729	0.7140	0.6596	0.6093	0.5629	0.5200	0.4803	0.4437		0.40991
			Period Covered	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	Totals	11.25
GROSS REVENUES				25,766,153	103,708,764	106,301,483	108,959,020	111,682,995	114,475,070	117,336,947	120,270,371	123,277,130	126,359,058	129,518,035	1,058,136,991	129,518,035
LESS: EXPENSES				5,607,811	22,563,297	23,094,804	23,639,599	24,198,014	24,770,389	25,357,074	25,958,426	26,574,812	27,206,607	27,854,197	228,970,833	27,854,197
NET OPERATING INCOME				20,158,341	81,145,467	83,206,679	85,319,421	87,484,981	89,704,681	91,979,873	94,311,945	96,702,318	99,152,451	101,663,838	829,166,158	101,663,838
ADD: Reversion Value (Resale Value)																1,768,066,742
Net Reversion Value																1,768,066,742
Present Worth Factor @	8.25%	discount rate		0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373		0.40991
Present Worth of Net Income				19,762,770	73,490,192	69,613,810	65,941,255	62,461,859	59,165,509	56,042,616	53,084,091	50,281,320	47,626,135	45,110,794	602,580,351	
Present Worth of Net Reversion Value																724,744,158
Total Present Value of Net Income																602,580,351
Present Worth of Net Reversion Value																724,744,158
Total																1,327,324,509
Market Value of Property (buildings and its facilities)			PhP													1,327,324,509
Rounded to			PhP													1,327,325,000

On the basis of the foregoing, the market value of the Seda Hotel Ayala Center Cebu (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,327,325,000**.

MARKET VALUE APPRAISAL

Property exhibited to us by the
***AREIT FUND MANAGERS, INC. and
BUENDIA CHRISTIANA HOLDINGS CORP.***

Zambales Property (276 hectares of land)

Located in
**Barangays Salaza and Bulawen
Palauig, Zambales**

13 November 2023

AREIT FUND MANAGERS, INC.
28F Tower One and Exchange
Plaza, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

BUENDIA CHRISTIANA HOLDINGS CORP.
35th Floor, Ayala Triangle Gardens Tower 2
Paseo de Roxas corner Makati Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**
President

MS. JANEL BEA
CFO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 13 November 2023. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC. AND BUENDIA CHRISTIANA HOLDINGS CORP.**, 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 (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.
28F Tower One and Exchange
Plaza, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

BUENDIA CHRISTIANA HOLDINGS CORP.
35th Floor, Ayala Triangle Gardens Tower 2
Paseo de Roxas corner Makati Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO** **MS. JANEL BEA**
President CFO

Subject : **CAI File No. 09-2023-0840**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC. and BUENDIA CHRISTIANA HOLDINGS CORP.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **03 October 2023**.

The appraised property consists of **land only**, located in **(Zambales Property) Salaza and Bulawen, Palauig, Zambales**.

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, 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 using income approach (Discounted Cash Flow) appraised as of **03 October 2023** is reasonably represented in the amount of **SIX BILLION SEVEN HUNDRED THIRTY-FOUR MILLION TWO HUNDRED EIGHT THOUSAND (Php6,734,208,000) 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. 9186355L
13 January 2023
City of Malolos

WVE:agd:mfm

CAI File No. 09-2023-0840

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. 09-2023-0840

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of certain real property located in Zambales Property. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **03 October 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 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 and as shown to us by the client's representative, the appraised property is designated as Zambales Property, located **along Palauig-Tapulao Jump-Off Road in Salaza and Bulawen, Palauig, Zambales Property**.

The property is located on the southwest side of Palauig-Tapulao Jump-Off Road; approximately 78 meters southwest from Manggahan Elementary School; 220 meters southwest from Sparc Solar Power Plant; 2.14 kilometers southeast from Palauig Solar Farm; 3.3 kilometers southeast from the corner of Palauig-Tapulao Jump-Off Road and Olongapo-Bugallon Road; about 3.4 kilometers southeast from Zameco 1 Main Office.

The orientation 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 located in an area where land development is of mixed residential, agricultural and industrial use.

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 the vicinity are:

Manggahan Elementary School
Sparc Solar Power Plant
Dampay Elementary School
Palauig Solar Farm

Palauig Public Market serves the commercial, shopping and marketing needs of the residents in the area. This is accessible from Palauig-Tapulao Jump-Off Road by public transportation. Other community centers like the post office, public market, churches/chapels, hospital/clinics, and public and private schools are likewise accessible from the property.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, telecommunication and water supply facilities are available at the site.

Public transportation connecting to various sections of Palauig, Zambales is available along Palauig-Tapulao Jump-Off Road where the property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

V. LAND DATA

The land consists of sixty-three (63) lots, containing a total area of 2,759,135 square meters, the particulars are as follows:

Lot No.	Block No.	Survey Plan	TCT No.	Area (sq.m.)	Registered Owner
1	1	Psd-341311	044-2023004093	50,054	BUENDIA CHRISTIANA HOLDINGS CORP.
2	1	(LRC) Psd-341311	044-2023002934	50,281	BUENDIA CHRISTIANA HOLDINGS CORP.
3	1	(LRC) Psd-341311	044-2023002930	48,927	BUENDIA CHRISTIANA HOLDINGS CORP.
4	1	(LRC) Psd-341311	044-2023002931	45,094	BUENDIA CHRISTIANA HOLDINGS CORP.
5	1	(LRC) Psd-341311	044-2023004327	65,840	BUENDIA CHRISTIANA HOLDINGS CORP.
6	1	(LRC) Psd-341311	044-2023002933	41,309	BUENDIA CHRISTIANA HOLDINGS CORP.
1	2	(LRC) Psd-341311	(T-36389) 044-2022003588	60,569	MACARENA L. OCA (MINOR), ET AL

2	2	(LRC) Psd-341311	(T-36390) 044-2022003589	41,114	MACARENA L. OCA (MINOR), ET AL
3	2	(LRC) Psd-341311	(T-36392) 044-2022003591	12,966	MA. NIEVES SAN DIEGO (MINOR)
4	2	(LRC) Psd-341311	(T-35183) 044-2022003559	56,667	TERESA MAGSAYSAY OCA, married to Antonio A. San Diego
5	2	(LRC) Psd-341311	(T-36391) 044-2022003590	68,439	ROBERTO OCA III (Minor), ET AL
6	2	(LRC) Psd-341311	044-2014000625	50,293	MARIA PILAR MAGSAYSAY HERNANDEZ, married to Mario C. Hernandez, ET AL
7	2	(LRC) Psd-341311	(T-36387) 044-2022003586	53,779	MANOLO D. MAGSAYSAY, married to Maria Rowena A. Magsaysay
8	2	(LRC) Psd-341311	(T-36388) 044-2022003587	53,777	MANOLO D. MAGSAYSAY, married to Maria Rowena A. Magsaysay
9	2	(LRC) Psd-341311	(T-35719) 044-2022003564	53,773	OFELIA MAGSAYSAY, married to Lauro Magsaysay
1	3	(LRC) Psd-341311	(T-36110) 044-2022003577	20,000	JOHN W. SPAKOWSKI, married to Ma. Pia M. Spakowski
2	3	(LRC) Psd-341311	(T-34881) 044-2022003554	20,000	JOSEFINA M. DE JESUS, married to Ricardo De Jesus
3	3	(LRC) Psd-341311	(T-34964) 044-2022003557	20,000	CLARITA CARBALLO, married to Numeriano Carballo
4	3	(LRC) Psd-341311	(T-34965) 044-2022003558	20,000	DULCE DE LEON, married to Silverio De Leon
5	3	(LRC) Psd-341311	(T-36020) 044-2022003573	20,000	AIDA MENDIOLA, married to Remigio Mendiola
6	3	(LRC) Psd-341311	(T-34882) 044-2022003555	20,000	ELIZABETH I. ORLINA, married to Dominador A. Orlina
7	3	(LRC) Psd-341311	044-2023004324	18,491	BUENDIA CHRISTIANA HOLDINGS CORP.
8	3	(LRC) Psd-341311	(T-34883) 044-2022003556	19,392	ERNESTO EVANGELISTA, married to Mercedita Evangelista
1	4	(LRC) Psd-341311	044-2023002932	20,001	BUENDIA CHRISTIANA HOLDINGS CORP.
3	4	(LRC) Psd-341311	044-2023004326	20,000	BUENDIA CHRISTIANA HOLDINGS CORP.
4	4	(LRC) Psd-341311	(T-34478) 044-2022003550	20,000	JOSEPHINE T. SALUD, married to Atty. Rodrigo Salud
5	4	(LRC) Psd-341311	(T-36021) 044-2022003574	27,341	SPOUSES MERCEDITA EVANGELISTA AND ERNESTO EVANGELISTA, SR.

6	4	(LRC) Psd-341311	044-2023004323	33,261	BUENDIA CHRISTIANA HOLDINGS CORP.
1	5	(LRC) Psd-341311	(T-36109) 044-2022003576	31,235	JOHNNY S. OCA, SR., married to Angelita Oca, ET AL
2	5	(LRC) Psd-341311	(T-34479) 044-2022003551	10,393	SPOUSES EMMANUEL M. BASABAS AND LIDUVINA VALDIVIA BASABAS
3	5	(LRC) Psd-341311	(T-36108) 044-2022003575	10,207	VIRGILIO C. MANGUERA, married to Consuelo Manguera
4	5	(LRC) Psd-341311	044-2023002935	10,025	BUENDIA CHRISTIANA HOLDINGS CORP.
5	5	(LRC) Psd-341311	044-2023004014	9,840	BUENDIA CHRISTIANA HOLDINGS CORP.
6	5	(LRC) Psd-341311	044-2023004016	9,658	BUENDIA CHRISTIANA HOLDINGS CORP.
7	5	(LRC) Psd-341311	044-2023003984	10,308	BUENDIA CHRISTIANA HOLDINGS CORP.
9	5	(LRC) Psd-341311	044-2023004015	9,196	BUENDIA CHRISTIANA HOLDINGS CORP.
10	5	(LRC) Psd-341311	044-2023004098	9,544	BUENDIA CHRISTIANA HOLDINGS CORP.
11	5	(LRC) Psd-341311	(T-36015) 044-2022003568	10,375	IGUAL DEVELOPMENT CORPORATION
12	5	(LRC) Psd-341311	(T-36016) 044-2022003569	11,803	IGUAL DEVELOPMENT CORPORATION
13	5	(LRC) Psd-341311	(T-36017) 044-2022003570	10,261	IGUAL DEVELOPMENT CORPORATION
14	5	(LRC) Psd-341311	044-2023004094	10,351	BUENDIA CHRISTIANA HOLDINGS CORP.
15	5	(LRC) Psd-341311	044-2023004096	11,142	BUENDIA CHRISTIANA HOLDINGS CORP.
16	5	(LRC) Psd-341311	044-2023003841	11,243	BUENDIA CHRISTIANA HOLDINGS CORP.
17	5	(LRC) Psd-341311	044-2023003842	11,345	BUENDIA CHRISTIANA HOLDINGS CORP.
Road Lot 1		(LRC) Psd-341311	044-2023004333	15,508	BUENDIA CHRISTIANA HOLDINGS CORP.
Road Lot 2		(LRC) Psd-341311	(T-35716) 044-2022003561	5,159	CECILE O. LACSON, married to Jose Carlos Lacson
Road Lot 3		(LRC) Psd-341311	(T-35717) 044-2022003562	3,594	CECILE O. LACSON, married to Jose Carlos Lacson

Road Lot 4	(LRC) Psd-341311	(T-35718) 044-2022003563	8,564	CECILE O. LACSON, married to Jose Carlos Lacson
4	(LRC) Psd-341970	044-2023004325	121,399	BUENDIA CHRISTIANA HOLDINGS CORP.
4362-B	Csd-03-001403-D	P-7194	103,617	ANDRES A. DE LA ROSA
4464-B	Psd-03-098538	C-T-2875	25,089	MELCHOR B. DELA ROSA
4464-A	Psd-03-098538	C-T-2874	25,090	ROSENDO B. DELA ROSA
4349-A	Psd-03-098541	C-T-4789	24,874	MA. THERESA B. DELA ROSA
4466	Cad 364-D	C-O-3155	29,140	ESTRELLA R. DUMLAO
4348-C	Csd-03-001599-D	CLOA-T-1384	209,107	RICARDO DEL FIERRO, ET AL
4348-B	Csd-03-001599-D	CLOA-O-2400	237,345	DAN RODILLO, ET AL
4351	Csd-364-D	T-34763	108,800	DANTE RODILLO, ET AL
4639-A	Psd-03-098540	C-T-4787	24,079	BASILIO B. DELA ROSA
4639-B	Psd-03-098540	C-T-4788	24,080	EDWIN L. DELA ROSA
4348-A	Csd-03-001599-D	C-O-3199	236,179	JASMINE R. DELA ROSA, ET AL
4349-B	Psd-03-098541	C-T-4790	24,873	LUIS B. DELA ROSA
4468	Cad 364-D	C-T-2894	79,385	SHERWIN R. DUMLAO, ET AL
4362-A	Csd-03-001403-D	CLOA-T-1506	234,959	SAMUEL DELA ROSA, ET AL
Total Area -			2,759,135	sq.m.

The above certificates of title were all issued by the Registry of Deeds for Iba, Zambales and Province of Zambales.

Attached is a reproduction copy of the plan of the property provided to us by the client.

The terrain of the land is flat, rolling and hilly. Its elevation is at grade with the fronting road.

No title verification was conducted to confirm the existence of the owner's original copy of the titles supposedly on file with the Registry of Deeds, since it is not included in the assignment.

Government Assessment

BIR Zonal Value of Real Property within Palauig, Zambales as per Department Order No. 0019-2022, effective 13 May 2022:

Barangay	Street Name	Vicinity	Classification	2 nd Revision Zonal Value (Php/sq.m.)
Bulawen	All Lots	Along Barangay Road	Residential	800
Salaza	All Lots	Interior	Residential	500
			Commercial	2,000
		Along Barangay Road	Residential	1,500
-	-	Interior	Industrial	2,000
			Residential	1,000

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 **industrial 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

By Income Approach – Discounted Cash Flow

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 the 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 25-year investment horizon based on 25-year guaranteed lease contract renewable for another 25-year. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 25-year period;
2. Discount rate is estimated at 8.25% using built-up method based on the 25 year BVAL and Damodaran synthetic rating spread;
3. Capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Gross revenue/Annual land lease rate as well as operating expenses such as management fees, taxes and license were based on P & L provided to us by the client.

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 Fair Value of the Property.

Discounted Cash Flow Analysis (in PhP)																												
Zambales Property																												
STATISTICS																												
Total Land Area		2,759,135.00	sq.m.																									
Occupied/ Leasable Area		2,759,135.00	sq.m.																									
Gross Leasable Area		2,759,135.00	sq.m.																									
Terminal Capitalization Rate		6.75%																										
Discount Rate		8.25%																										
Present Worth Factor			0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373	0.40991	0.37867	0.34981	0.32315	0.29862	0.27577	0.25475	0.23534	0.21740	0.20083	0.18553	0.17139	0.15833	0.14626	0.13511
	Year	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	11.25	12.25	13.25	14.25	15.25	16.25	17.25	18.25	19.25	20.25	21.25	22.25	23.25	24.25	Totals	25.25
Annual Rent (Phpsq.m.)		14.46	14.52	14.73	14.95	15.18	15.41	15.64	15.87	16.11	16.35	16.60	16.85	17.10	17.36	17.62	17.88	18.15	18.42	18.70	18.98	19.26	19.55	19.84	20.14	20.44		20.75
GROSS REVENUES	Escalation		0.37%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%		1.50%
Annual Land lease	Php																											
Total Annual Gross Rental																												
Total Annual Revenues																												
LESS:																												
Vacancy Rate (incl. bad debts)																												
Gross Revenues		119,705,072	480,615,884	487,825,102	495,142,478	502,569,616	510,108,160	517,759,782	525,526,179	533,409,072	541,410,208	549,531,361	557,774,331	566,140,946	574,633,060	583,252,356	592,001,345	600,881,365	609,894,595	619,043,004	628,328,649	637,753,579	647,319,883	657,029,681	666,885,126	676,888,403	13,881,429,408	687,041,729
Advance Rent		359,115,216	(359,115,216)																									
Rental Discount on the 26th year	10.00%																											68,704,173
LESS EXPENSES:																												618,337,556
Admin and Miscellaneous Expenses		1,762,750	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	170,986,750
Tax and Licenses		897,788	3,604,619	3,658,698	3,713,569	3,769,272	3,825,811	3,883,198	3,941,446	4,000,568	4,060,577	4,121,485	4,183,307	4,246,057	4,309,748	4,374,394	4,440,010	4,506,610	4,574,209	4,642,823	4,712,465	4,783,152	4,854,899	4,927,723	5,001,638	5,076,663	5,152,813	104,110,721
Total		2,660,538	10,655,619	10,709,688	10,764,569	10,820,272	10,876,811	10,934,198	10,992,446	11,051,568	11,111,577	11,172,485	11,234,307	11,297,057	11,360,748	11,425,394	11,491,010	11,557,610	11,625,209	11,693,823	11,763,465	11,834,152	11,905,889	11,978,723	12,052,638	12,127,663	275,097,471	12,203,813
NET CASHFLOWS FROM OPERATIONS		476,159,750	110,845,029	477,115,414	484,377,910	491,749,344	499,231,349	506,825,584	514,533,733	522,357,504	530,298,631	538,358,876	546,540,024	554,843,889	563,272,313	571,827,162	580,510,335	589,323,755	598,269,376	607,349,182	616,565,184	625,919,427	635,413,984	645,050,958	654,832,488	664,780,740	13,696,331,937	606,133,743
ADD: Reversion Value (Resale Value)																												8,979,759,158
Present Worth Factor @ 8.25% discount rate		0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373	0.40991	0.37867	0.34981	0.32315	0.29862	0.27577	0.25475	0.23534	0.21740	0.20083	0.18553	0.17139	0.15833	0.14626	0.13511	
Present Worth of Net Income		466,815,970	100,387,893	399,172,543	374,363,819	351,095,443	329,272,414	308,804,857	289,698,658	271,694,913	254,719,612	238,883,334	224,030,960	210,101,412	197,037,387	184,785,179	173,294,350	162,517,634	152,410,684	142,931,906	134,042,286	125,705,232	117,886,422	110,553,663	103,676,762	97,227,389	5,520,930,541	
Present Worth of Net Reversion Value																												1,213,277,341
Total Present Value of Net Income																											5,520,930,541	
Present Worth of Net Reversion Value																											1,213,277,341	
Total																											6,734,207,883	
Market Value of Property (land only)																											6,734,207,883	
Rounded to																											6,734,208,000	
1/2,759,135-sq.m. total area																												
Pho2,441 per sq.m.																												

On the basis of the foregoing, the market value of the property (land only) using the Discounted Cash Flow Analysis, is represented in the amount of **Php6,734,208,000.**

SEC Number: CS200613870

File Number: _____

AREIT, INC.

(Company's Full Name)

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

(Company Address)

(632) 7908-3804

(Telephone Number)

September 30, 2023

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

-

(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**
2. Commission Identification Number **CS200613870**
3. BIR Tax Identification No. **006-346-689-00000**
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 September 30, 2023

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

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

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 ☒ No ☐

(b) has been subject to such filing requirements for the past 90 days:

Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

AREIT, INC.

STATEMENTS OF FINANCIAL POSITION

	September 30, 2023 Unaudited	December 31, 2022 Audited
ASSETS		
Current Assets		
Cash (Note 4)	P60,783,607	P62,753,382
Receivables (Note5)	4,390,125,825	1,919,183,751
Other current assets (Note6)	309,569,643	155,825,886
Total Current Assets	4,760,479,075	2,137,763,019
Noncurrent Assets		
Noncurrent portion of receivables (Note 5)	8,210,218,569	2,986,455,069
Investment properties (Note 7)	77,900,508,862	60,871,459,005
Property and equipment	1,123,310	598,631
Other noncurrent assets (Note6)	1,594,879,792	1,689,713,043
Total Noncurrent Assets	87,706,730,533	65,548,225,748
	P92,467,209,608	P67,685,988,767
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 8)	P2,163,753,443	P1,065,080,572
Short-term debt (Note 9)	300,000,000	300,000,000
Current portion of long-term debt	2,994,793,729	2,977,693,930
Current portion of deposits, other liabilities (Note 11)	726,656,336	527,675,373
Current portion of lease liability	50,529,294	50,290,868
Construction bonds (Note 10)	82,839,984	98,584,276
Total Current Liabilities	6,318,572,786	5,019,325,019
Noncurrent Liabilities		
Deposits, other liabilities, net of current portion (Note 11)	2,004,492,445	1,457,484,429
Lease liability- net of current portion	1,192,205,852	1,136,289,490
Total Noncurrent Liabilities	3,196,698,297	2,593,773,919
Total Liabilities	9,515,271,083	7,613,098,938
Equity (Note 12)		
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	22,945,840,414	22,440,772,367
Total Equity	82,951,938,525	60,072,889,829
	P92,467,209,608	P67,685,988,767

AREIT, INC.**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

	2023 Unaudited		2022 Unaudited	
	July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 to September 30
REVENUE				
Rental income	P1,522,792,954	P3,799,275,874	P896,567,595	P2,639,205,689
Dues- net	340,100,808	923,950,214	238,397,060	749,891,260
Interest income from finance lease receivables	170,421,322	280,210,137	56,037,282	166,284,544
	2,033,315,084	5,003,436,225	1,191,001,937	3,555,381,493
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES				
	(158,068,068)	(161,061,428)	7,385,251	23,921,250
COSTS AND EXPENSES				
Direct operating expenses	565,675,371	1,403,693,224	328,441,892	955,139,803
General and administrative expenses	27,123,703	62,790,096	12,430,014	50,715,889
	592,799,074	1,466,483,320	340,871,906	1,005,855,692
OTHER INCOME (CHARGES) - Net				
Interest income	–	46,803,516	8,249,541	20,901,823
Interest expense and other charges	(67,578,838)	(153,414,090)	(41,225,074)	(158,564,137)
Other income (expenses)	17,378,882	1,391,820	(10,298,772)	3,940,719
	(50,199,956)	(105,218,754)	(43,274,305)	(133,721,595)
INCOME BEFORE INCOME TAX	1,232,247,986	3,270,672,723	814,240,977	2,439,725,456
PROVISION FOR INCOME TAX	298,648	760,583	28,877	62,659
NET INCOME	1,231,949,338	3,269,912,140	814,212,100	2,439,662,797
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME	P1,231,949,338	P3,269,912,140	P814,212,100	P 2,439,662,797
Basic/Diluted Earnings Per Share	P0.52	P1.38	P0.54	P1.62

AREIT, INC.**INTERIM STATEMENTS OF CHANGES IN EQUITY**

	September 30, 2023 Unaudited	September, 2022 Unaudited
PAID-UP CAPITAL		
Common Shares - ₱10 par value		
Balance at beginning and end of period	₱18,283,771,630	₱15,762,407,800
Issuance of new shares	6,075,593,800	-
Balance at end of the period	24,359,365,430	15,762,407,800
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning and end of period	20,021,645,532	11,333,074,693
Issuance of new shares	16,404,103,260	-
Share issuance costs	(105,716,411)	-
Balance at end of the period	36,320,032,381	
TREASURY SHARES		
Balance at beginning and end of period	(673,299,700)	(673,299,700)
RETAINED EARNINGS		
Balance at beginning of year	22,440,772,367	22,465,407,195
Total comprehensive income/Net income	3,269,912,140	2,439,662,796
Cash dividends	(2,764,844,093)	(2,172,831,566)
Balance at end of period	22,945,840,414	22,732,238,425
	₱82,951,938,525	₱49,154,421,218

AREIT, INC.**INTERIM STATEMENTS OF CASH FLOWS**

	2023 Unaudited January 1 to September 30	2022 Unaudited January 1 to September 30
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,270,672,722	₱2,439,725,455
Adjustments for:		
Net fair value change in investment properties	161,061,428	(23,921,250)
Depreciation and amortization	153,072	59,790
Interest expense	132,839,703	147,508,602
Interest income from finance lease receivables	(280,210,137)	(166,284,544)
Interest income	(46,803,516)	(20,901,823)
Operating income before working capital changes	3,237,713,272	2,376,186,230
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(344,490,363)	226,158,915
Other assets	(41,810,706)	(172,924,155)
Increase (decrease) in:		
Accounts and other payables	1,098,672,872	499,847,095
Deposits and other liabilities	745,988,978	33,325,027
Construction bonds	(15,744,292)	(5,393,968)
Cash generated from (used in) operations	4,680,329,761	2,957,199,144
Interest received	46,803,516	187,186,367
Interest paid	(70,135,046)	(75,465,726)
Income tax paid	(760,584)	(62,660)
Net cash flows provided by (used in) operating activities	4,656,237,647	3,068,857,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties	(1,457,457,000)	(219,500,000)
Payments for additions to investment properties	(22,803,337,108)	(92,534,005)
Net cash flows provided by (used in) investing activities	(24,260,794,108)	(312,034,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends	(2,764,844,093)	(2,172,831,566)
Proceeds from issuance of shares	22,479,697,060	—
Payment of share issuance cost	(105,716,411)	—
Availment (repayment) of loans	—	(450,000,000)
Payments of principal portion of lease liability	(6,549,870)	—
Net cash flows provided by (used) financing activities	19,602,586,686	(2,622,831,566)
NET INCREASE (DECREASE) IN CASH	(1,969,775)	133,991,554
CASH AT BEGINNING OF PERIOD	62,753,382	92,010,744
CASH AT END OF PERIOD	₱60,783,607	₱226,002,298

AREIT, INC.

NOTES TO INTERIM FINANCIAL STATEMENTS

1. 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 rising 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 amended its name to AREIT, Inc. on June 28, 2019.

As of December 31, 2022, the Company is publicly listed, 54.88%-owned by Ayala Land Inc. (ALI), 5.47%-owned by AyalaLand Offices, Inc. (ALOI), 2.13%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, 3.53%-owned by Glensworth Development, Inc. (GDI), a wholly owned subsidiary of ALOI, and the rest by the public. ALI's parent is Ayala Corporation (AC). AC is 47.91%-owned by Mermac, Inc., and the rest by the public. ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

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

The Company's common stock was listed on The Philippine Stock Exchange on August 13, 2020, as a Real Estate Investment Trust (REIT) entity.

As a REIT entity, the Company 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, provided they have complied with the requirements under Republic Act (RA) No. 9856 and Implementing Rules and Regulations (IRR) of RA No. 9856.

ALI handles the operational and administrative functions of the Company before its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. handle the company's fund manager and property management functions.

2. Basis of Financial Statement Preparation

The Company's financial statements have been prepared on a historical cost basis, except for investment properties which are measured at fair value and presented in Philippine Peso (P=), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying unaudited interim financial statements have been prepared under the going concern assumption. The Company believes that its businesses will remain relevant despite the challenges posed by the COVID-19 pandemic.

Statement of Compliance

The Company's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

On November 08, 2023 the Audit Committee approved and authorized the release of the accompanying unaudited interim financial statements of AREIT, Inc.

3. Summary of Significant Accounting Policies

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for adopting new standards effective in 2022. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

Adopting these new standards did not impact the company's financial statements unless otherwise indicated.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with reference to the Conceptual Framework for Financial Reporting, issued in March 2018, without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations, to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* or Philippine-IFRIC 21, *Levies* if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities from deducting the cost of an item of property, plant, and equipment or any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items and the costs of producing those items in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements based on the parent's date of transition to PFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment applies to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability substantially differ from those of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will significantly impact its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. Cash

This account consists of:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Cash on hand	P192,500	P72,500
Cash in banks	60,591,107	62,680,882
	P60,783,607	P62,753,382

Cash in banks earns interest from the respective bank deposit rates.

5. Receivables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Finance lease receivable	₱8,889,591,572	₱3,221,146,005
Due from related parties	3,094,237,067	1,095,318,852
Trade receivables – billed	695,168,352	647,588,205
Other receivables	758,863	1,990,659
	12,679,755,854	4,966,043,721
Less allowance for credit losses	79,411,460	60,404,901
	12,600,344,394	4,905,638,820
Less noncurrent portion of finance lease receivable	8,210,218,569	2,986,455,069
	₱4,390,125,825	₱1,919,183,751

Other receivables pertain to noninterest-bearing advances to contractors, which are subject to liquidation upon completion.

Billed receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common areas and utilities. These are noninterest-bearing and are generally collectible on a 30-day term.

As of September 30, 2023, the aging analysis of the Company's receivables presented per class is as follows:

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	₱8,889,591,572	₱–	₱–	₱–	₱–	₱–	₱8,889,591,572
Due from related parties	2,318,157,000	51,906,509	41,895,347	645,675,313	36,602,897	–	3,094,237,067
Trade receivables – billed	48,819,551	273,163,722	100,441,265	109,863,519	83,468,835	79,411,460	695,168,352
Total	₱11,256,568,123	₱325,070,231	₱142,336,612	₱755,538,832	₱120,071,732	₱79,411,460	₱12,678,996,991

The movements in allowance for credit losses are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	₱60,404,901	₱37,456,046
Additions	19,006,559	22,948,855
Balance at end of year	₱79,411,460	₱60,404,901

6. Other Assets

Other Current Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT	₱164,984,768	₱141,061,071
Prepaid expenses	129,820,060	–
Recoverable deposits	14,764,815	14,764,815
	₱309,569,643	₱155,825,886

Input VAT is applied against output VAT within 12 months. It includes input VAT claimed for a refund of ₱6.39 million, awaiting approval from the BIR.

Prepaid expenses pertain to payments of business and real property taxes, which are amortized over a year.

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT	₱1,143,758,665	₱1,044,601,418
Deferred input VAT	310,256,102	548,188,358
Creditable withholding taxes	239,691,442	168,644,360
Advances to contractors	3,301,083	278,907
	₱1,697,007,292	1,761,713,043
Less allowance for possible losses	102,127,500	72,000,000
	₱1,594,879,792	₱1,689,713,043

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.0 million per transaction. It is available for offset against the Company's future output VAT.

The remaining balance of input VAT and deferred input VAT is recoverable in future periods.

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and utilized as tax credits against income tax due. The Company recognized allowance for probable loss on CWT amounting to ₱30.13 million in 2023 and ₱39 million in 2022.

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

7. Investment Properties

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning of the period	₱60,871,459,005	₱50,081,060,761
Acquisitions and Improvements	17,190,111,285	11,334,580,967
Gain (loss) on fair value adjustment	(161,061,428)	(544,182,723)
End of the period	₱ 77,900,508,862	₱60,871,459,005

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

- eBloc 1- A twelve (12)-level, PEZA- accredited office development located in Cebu IT Park with a 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 a 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 a 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 a 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 a 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 a gross leasable area of 16,812.74 sq.m.

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

- Glorietta 1 and 2 Mall wings, a four (4)- storey commercial development with three 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 square meters (sq.m)
- Glorietta BPO 1 and BPO 2, a seven (7) storeys and eight (8) storeys Philippine Economic Zone Authority ("PEZA")-accredited office development and equipment located within Makati Commercial Center, San Lorenzo Village, Makati City, with gross leasable area of 18,770 sq.m and 21,256 sq.m, respectively.
- One Ayala East Tower, a twenty-three (23) level, PEZA- accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Brgy. San Lorenzo, Makati City, with gross leasable area of 30,999.07 sq.m.
- One Ayala West Tower, a eighteen (18)- level, PEZA-accredited office development and equipment, located along Ayala corner EDSA Avenues, Brgy. San Lorenzo, Makati City, with gross leasable area of 39,996.00 sq.m.
- 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.

As of December 31, 2022, the investment properties are composed of thirteen (13) stand-alone buildings, three (3) mixed-used properties, nine (9) condominium office units, and four (4) land parcels. The stand-alone buildings are Solaris One and McKinley Exchange, located in Makati City, Teleperformance Cebu, eBloc Towers 1-4, which are located at Cebu I.T. Park, Cebu City, ACC Tower, located in Ayala Center Cebu, Cebu Business Park, Tech Tower located along Sumilon corner Camiguin Roads and Cebu Evotech One and Two with two (2) office buildings situated in Laguna, Bacolod Capitol Corporate Center, and Ayala Northpoint Technohub in Bacolod City. The mixed-use properties are Ayala North Exchange, The 30th Commercial Development, and Vertis North Commercial Development. Ayala North Exchange is located along Ayala Avenue, Makati, composed of two office towers, a retail podium, and serviced apartments; The 30th Commercial Development features a 19-story office building complemented by a four-story retail podium; while Vertis North Commercial Development is a mixed-use development composed of three (3) office towers and a retail podium located in Quezon City. The condominium office units are BPI-Philam Life Makati, consisting of three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, and BPI-Philam Life Alabang, composed of six (6) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City. The four land parcels in Laguna Technopark are being leased to IMI.

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

The fair value of the Company's investment properties was determined using the Income Approach, 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 fair value is sensitive to the unobservable inputs of the lease income growth rate and discount rate. Significant increases (decreases) in the 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 is accompanied by a directionally similar change in the Company's fair value of investment properties.

8. Accounts and Other Payables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties	₱1,377,748,471	₱756,623,441
Accounts payable	429,794,365	89,098,143
Accrued expenses		
Light and water	110,040,079	41,848,381
Rent	-	24,956,211
Repairs and maintenance	53,878,445	14,040,220
Others	42,914,540	43,658,602
Taxes payable	146,624,126	90,768,937
Retention payable	2,196,834	3,188,012
Interest payable	556,583	898,625
	₱ 2,163,753,443	₱1,065,080,572

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

Accrued expenses include accruals for professional fees, postal and communication, supplies, transportation, travel, security, insurance, and representation. These accruals are noninterest-bearing.

Taxes payable consist of amounts payable to the taxing authority on expanded withholding taxes.

Retention payable pertains to the portion of the contractor's progress billings withheld by the Company 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 noninterest-bearing and are normally settled upon completion of the relevant contract.

9. Short-term Debt and Long-term Debt

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Short-term loan	₱300,000,000	₱300,000,000
Bonds due on 2023	3,000,000,000	3,000,000,000
	3,300,000,000	3,300,000,000
Less unamortized transaction cost	5,206,271	22,306,070
		3,277,693,930
Less current portion	3,294,793,729	3,277,693,930
	₱-	₱-

In 2023 and 2022, the Company availed short-term loans payable with different local banks amounting to ₱300.00 million, respectively, which pertains to unsecured and interest-bearing 30-day loans with

interest rates of 6.25% and 5.5%, respectively.

Philippine Peso 2-year bonds due 2023

On December 28, 2021, the Company issued P3.0 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. The Bonds represent the first tranche of debt securities issued under the Company's P15.0 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 the obligor's capacity to meet its financial commitment to the obligation is extremely strong.

The loan agreements contain the following restrictions: material changes in the 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. These restrictions and requirements were complied with by the Company as of September 30, 2023, and December 31, 2022.

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 fully completing the construction, renovation, or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounted to P82.84 million and P98.58 million as of September 30, 2023, and December 31, 2022, respectively.

11. Deposits and Other Liabilities

This account consists of:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Security deposits	P1,213,472,420	P1,044,320,392
Advance rentals	1,382,843,300	882,850,489
Deferred credits	134,833,061	57,988,921
	2,731,148,781	1,985,159,802
Less current portion	726,656,336	527,675,373
	P2,004,492,445	P1,457,484,429

The current portion of these accounts follows:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Security deposits	P258,056,936	P273,861,011
Advance rentals	381,197,644	235,450,965
Deferred credits	87,401,756	18,363,397
	P726,656,336	P527,675,373

Advance rentals

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

Security deposits

Security deposits represent deposits from lessees to secure faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three (3) months' rent and will be refunded to the lessee at the end of the lease term.

12. Equity

Capital stock

The details of the Company's capital stock as of September 30, 2023, and December 31, 2022, follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized	4,050,000,000	2,950,000,000
Par value per share	P10.00	P10.00
Issued and outstanding shares	2,368,606,573	1,761,047,193

The changes in the number of shares are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized number of shares		
Balance at the beginning of year at P10 par value	2,950,000,000	2,950,000,000
Increase in authorized capital stock at P10 par value	1,100,000,000	–
Balance at end of year	4,050,000,000	2,950,000,000
Issued shares		
Balance at beginning of year	1,828,377,163	1,576,240,780
Issuance of new shares	607,559,380	252,136,383
Balance at end of year	2,435,936,543	1,828,377,163
Treasury shares		
Balance at beginning and end of year	(67,329,970)	(67,329,970)
Outstanding	2,368,606,573	1,761,047,193

On March 10, 2022, and April 21, 2022, the Company's BOD and its stockholders 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.

On March 07, 2023 and April 26, 2023, the Company's BOD and its stockholders 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 property-for-share swap transaction.

Additional Paid-in Capital (APIC)

In 2022, the Company recorded APIC amounting to P8,688.57 million, net of transaction costs. The Company incurred transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares amounting to P47.95 million in 2022.

In 2023, the Company recorded APIC amounting to P16,298 million, net of transaction costs. The Company incurred transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares amounting to P105.72 million in 2023.

Retained Earnings

On February 24, 2022, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2021, amounting to ₱0.47 per outstanding common share to stockholders on record as of March 11, 2022, amounting to ₱709.19 million. The cash dividend was paid on March 25, 2022, to stockholders.

On May 19, 2022, the Company's BOD approved the declaration of cash dividends for the first quarter of 2022, amounting to ₱0.48 per outstanding common share to stockholders on record as of June 02, 2022, amounting to ₱724.28 million. The cash dividend was paid on June 17, 2022, to stockholders.

On August 12, 2022, the Company's BOD approved the declaration of cash dividends for the second quarter of 2022, amounting to ₱0.49 per outstanding common share to stockholders on record as of August 26, 2022, amounting to ₱739.37 million. The cash dividend was paid on September 09, 2022, to stockholders.

On October 11, 2022, the Company's BOD approved the declaration of cash dividends for the third quarter of 2022, amounting to ₱0.49 per outstanding common share to stockholders on record as of October 25, 2022, amounting to ₱739.37 million. The cash dividend was paid on November 10, 2022, to stockholders.

On February 24, 2023, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2022, amounting to ₱0.52 per outstanding common share to stockholders on record as of March 10, 2023, amounting to ₱915.74 million. The cash dividend was paid on March 24, 2023, to stockholders.

On May 17, 2023, the Company's BOD approved the declaration of cash dividends for the first quarter of 2023, amounting to ₱0.52 per outstanding common share to stockholders on record as of May 31, 2023, amounting to ₱915.74 million. The cash dividend was paid on June 16, 2023, to stockholders.

On August 14, 2023, the Company's BOD approved the declaration of cash dividends for the second quarter of 2023, amounting to ₱0.53 per outstanding common share to stockholders on record as of August 30, 2023, amounting to ₱933.36 million. The cash dividend was paid on September 13, 2023, to stockholders.

Distributable Income

The computation of the distributable income of the Company as of September 30, 2023, is shown below:

	September 30, 2023
	(Unaudited)
Net income	₱3,269,912,140
Unrealized gains:	
Unrealized (gain)/loss on fair value change in investment properties	161,061,428
<u>Distributable Income</u>	<u>₱3,430,973,568</u>

Capital Management

The primary objectives of the Company's capital management policies are 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 considers its total equity as capital.

The Company's sources of capital as of September 30, 2023, and December 31, 2022, follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Paid-up capital	₱24,359,365,430	₱18,283,771,630
Additional paid- in capital	36,320,032,381	20,021,645,532
Treasury shares	(673,299,700)	(673,299,700)
Retained earnings	22,945,840,414	22,440,772,367
	₱82,951,938,525	₱60,072,889,829

13. Related Party Transactions

Parties are 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 related if they are subject to common control or common significant influence, including affiliates.

Terms and Conditions of Transactions with Related Parties

In its regular business conduct, the Company has entered into transactions with related parties consisting of advances and development, management, marketing and leasing, and administrative service agreements. These are based on terms agreed by the parties.

Outstanding balances at yearend are unsecured, noninterest-bearing, and settlement occurs in cash unless otherwise indicated. No guarantees have been provided or received for any related party receivables or payables.

The following tables provide the value and outstanding balances of transactions that have been entered into with related parties for the relevant financial year:

Related Party Category	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due from related parties		
Parent Company		
Ayala Land, Inc.	₱ 284,989,757	₱ 122,963,190
Affiliates*	11,691,947,569	4,193,157,381
Other related parties		
Bank of the Philippine Islands	3,242,126	-
BPI/MS Insurance Corporation	3,008,444	-
Globe Telecom, Inc.	640,742	344,286
	6,891,312	344,286
	₱11,983,828,638	₱4,316,464,857

*Entities under common control

Related Party Category	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties		
Parent Company		
Ayala Land, Inc.	₱383,554,745	₱160,872,483
Affiliates*	985,648,218	583,358,992
Other related parties		
Manila Water Philippine Ventures, Inc.	5,368,798	3,729,107
Manila Water Company Inc	2,998,420	8,498,380
Globe Telecom, Inc.	110,959	110,082
Innove Communications	57,231	44,297
BPI Capital Corporation	10,100	10,100

	8,545,508	12,391,966
	₱1,377,748,471	₱756,623,441

**Entities under common control*

14. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, accounts and other payables and security deposits arising directly from its operations. The main risks arising from using financial instruments are liquidity and credit risks.

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 credit, interest rate, 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.

Before the Company's listing, ALI's financing and treasury function operated as a centralized service for managing financial risks and activities and 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.

Credit risk

Credit risk arises when a counterparty does 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. The Company maintains defined credit policies to manage credit risks and continuously monitors its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. Following 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 continuously 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 the trade receivables, all financial assets' maximum exposure to credit risk is equal to their carrying amounts.

Liquidity risk

The Company actively manages its liquidity position to meet all operating, investing, and financing needs. The Company's policy is to maintain a sufficient cash level 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 on time and at a reasonable cost. It ensures the availability of ample unused credit facilities as backup liquidity.

The Company's cash is maintained at a level that will enable it to fund its operations and have additional funds as a 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 of September 30, 2023, is ₱ 20.00 billion. The Company may also refinance its short-term and long-term loans and manage payment terms for its payables.

15. Fair Value Hierarchy

Fair Value Information

Except for the Company's security deposits and long-term debt, which are disclosed below, the carrying values of the other financial instruments of the Company approximate their fair values due to the short-term nature of the transactions.

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying value	Fair value	Carrying value	Fair value
Security deposits	₱1,213,472,420	₱1,213,472,420	1,044,320,392	958,142,795

As of September 30, 2023, and December 31, 2022, the Company has no financial instrument measured at fair value. In 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The fair value of the Company's security deposits is categorized under Level 3 in the fair value hierarchy.

16. Notes to Interim Statements of Cash Flow

The Company's noncash operating and investing activities are as follows:

Operating

- Interest income from finance lease amounting to ₱280.21 million and ₱166.28 million for nine months ended September 30, 2023, and 2022.

Investing

- Addition in investment properties amounting to ₱22,479.70 million and ₱11,257.89 million related to the property-for-share swap agreement in 2023 and 2022, respectively.

17. 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 four parcels of land, nine condominium office units, and thirteen-building lease operations are its only income-generating activity, and such is the measure the management uses in allocating resources.

18. Seasonality of Operations

There were no operations subject to seasonality or cyclicity except for the Company's retail operations. The Company generates a relatively stable stream of revenues throughout the year, with

higher sales experiences from shopping centers in the fourth quarter of every year due to holiday spending. This information is provided to better understand the results; however, management has concluded that this is not 'highly seasonal' under PAS 34.

19. Events After Financial Reporting Date

None

Item 2. Management's Discussion and Analysis on the Results of Operation and Financial Condition

Review of 9M 2023 operations vs 9M 2022

The Company's net income before the net fair value change in investment properties increased by 42% from ₱2,415.80 million in 2022 and ₱3,431.73 million in 2023. The increase was mainly due to income from stable operations and the contribution of additional properties acquired in the fourth quarter of 2022 and third quarter of 2023. The Company's net income after tax increased by 34% from ₱2,439.66 million in 2022 to ₱3,269.91 million in 2023.

Revenues

Total revenues increased by 41% from ₱3,555.38 million in 2022 to ₱5,003.44 million in 2023. This growth was mainly driven by higher rental income and dues.

Rental Income increased by 44% from ₱2,639.21 million in 2022 to ₱3,799.28 million in 2023. The increase was primarily attributable to the addition of the Cebu properties, namely, Ebloc Towers 1 to 4, ACC Tower, and Tech Tower, in October 2022 and One Ayala West & East Towers, Glorietta 1 and 2 BPO and Mall wing and Marquee mall in July 2023.

Dues increased by 23% from ₱749.89 million in 2022 to ₱923.95 million in 2023. The increase was attributable to the operations of new assets acquired effective October 2022 and July 2023.

Interest income from finance leases amounted to ₱166.28 million in 2022 and ₱280.21 million in 2023, attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019, long-term leases of North Eastern Commercial Corp with the Company, for The30th Mall which begun on January 1, 2021, and October 1, 2021, for Vertis Mall and long-term leases of AyalaLand Malls, Inc. and Northbeacon Commercial Corporation with the Company, for Glorietta 1 and 2 mall wing and Marquee mall commenced on July 1, 2023.

Net Fair Value Change in Investment Property

In 2023, the Company recognized a reduction in fair value in investment properties of (₱161.06 million) and an increase of ₱23.92 million in 2022.

Cost and Expenses

Direct operating expenses increased by 47% from ₱955.14 million in 2022 to ₱1,403.69 million in 2023. The increase was primarily due to higher building utilization and expenses from the operations of additional properties acquired in October 2022 and July 2023.

General and administrative expenses decreased by 24% from ₱50.72 million in 2022 to ₱62.79 million in 2023, mainly due to higher provision for doubtful accounts.

Other Income (charges)

Interest Income increased by 124% from ₱20.90 million in 2022 to ₱46.80 million in 2023. The increase was mainly due to the increase in interest income from intercompany loans.

Interest expense decreased by 3% from ₱158.56 million in 2022 to ₱153.41 million in 2023. The decrease was due to a decrease in interest expense on short-term debt.

Other charges amounted to ₱15.97 million in 2023, which pertains mainly to amortization of bond issue cost.

Provision for Income Tax

Income tax provision increased from ₱62,659 in 2022 to ₱760,583 million in 2023 due to the final tax on interest income from banks.

Capital Expenditure

The Company has no material commitments for capital expenditures.

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

Balance Sheet items- September 30, 2023, versus December 31, 2022

Receivables current portion increased by 129%, primarily due to the contribution of new properties acquired in October 2022 and July 2023.

Other current assets increased by 99%, mainly due to higher prepaid expenses on payments of business and real property taxes, which are being amortized for the year.

Receivables noncurrent portion increased by 175%, mainly due to additional finance lease receivable recognized in Q3 2023, for the long-term leases with ALMI and NBCC for Glorietta 1 & 2 mall wings and Marquee mall.

Investment properties increased by 28%, due to acquisition of new assets effective July 2023.

Property and equipment increased by 88%, mainly due to additional office equipment, furniture, and fixtures.

Other noncurrent assets decreased by 6%, mainly due to additional provision for creditable withholding tax and amortization of deferred input VAT.

Accounts and other payables increased by 103%, in line with the increase in operations due to additional properties.

Deposits and other liabilities- current, increased by 38% due to higher advance rental collection.

Construction bonds decreased by 16% due to refunds to tenants for bonds collected to be used as a guarantee against damages to properties resulting from construction, renovation, or improvements.

Deposits and other liabilities- noncurrent, increased by 38%, mainly due additional deposits and advance rent from newly acquired assets.

The lease liability noncurrent portion increased by 5% due to lease liability for the period and timing of the lease payment. The rent is payable at a fixed monthly rate, subject to an annual escalation rate.

Paid-up capital and additional paid-in capital increased by 33% and 81%, respectively, due to issuance of new shares in exchange for properties.

Financial Condition

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

As of September 30, 2023, total current assets, including cash, current portion of receivable, input VAT, prepaid expenses, and recoverable deposits, stood at ₱4,760.48 million, resulting in a current ratio of 0.75:1.

As of September 30, 2023, total debt registered at P3.29 billion, translating to a debt-to-equity ratio of 0.04:1 and a net debt-to-equity ratio of 0.04:1.

Return on equity is at 7% as of September 30, 2023.

Key Financial Ratios	2023	2022
Current Ratio ⁽¹⁾	0.75	0.43
Debt to Equity ⁽²⁾	0.04	0.05
Profitability Ratios		
Return on Asset ⁽³⁾	5%	5%
Return on Equity ⁽⁴⁾	6%	5%
Asset to Equity Ratio ⁽⁵⁾	1.11	1.13

⁽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

- The Company's fixed-rate bond will expire on December 28, 2023. We plan to refinance through either another bond offering from its shelf registration or the availment of a bank loan.
- 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.

Property Performance as of Sept 30 2023

Property	Location	Valuation Date	Valuation cost ² (in Pesos, millions)	Total gross leasable area (GLA) (in sq.m)	Occupied GLA (in sq.m)	Occupancy rate	Remaining Land lease term	Rental Income (in Pesos, millions)	Gross Revenues (in Pesos, millions)
Solaris	Makati	Dec 2022	7,328	46,768	45,740	98%	25	426	551
Ayala North Exchange ¹	Makati	Dec 2022	11,428	95,314	85,530	90%	35	570	678
MECC	Makati	Dec 2022	1,965	10,688	10,117	95%	31	97	119
TP Cebu	Cebu	Dec 2022	2,008	18,093	18,093	100%	28	125	158
The 30th ¹	Pasig	Dec 2022	5,206	74,704	70,033	94%	33	307	397
Laguna Technopark Land	Laguna	Sept 2022	1,126	98,179	98,179	100%	n/a	61	61
Vertis ¹	Quezon City	Dec 2022	17,249	164,450	163,492	99%	34	906	1,110
BPI- Philam Makati	Makati	Dec 2022	125	1,072	-	0%	n/a	-	(1)
BPI- Philam Alabang	Muntinlupa	Dec 2022	70	551	551	100%	n/a	4	6
Bacolod Capitol	Negros Occidental	Dec 2022	802	11,313	11,313	100%	39	51	67
Ayala Northpoint	Negros Occidental	Dec 2022	227	4,654	4,654	100%	35	19	24
Evotech	Laguna	Dec 2022	2,790	23,727	23,727	100%	35	141	220
eBloc Towers 1 to 4	Cebu	Dec 2022	8,365	79,640	78,499	99%	35	479	648
ACC Tower	Cebu	Dec 2022	1,913	27,458	26,365	96%	35	156	156
Tech Tower	Cebu	Dec 2022	1,207	16,273	12,852	79%	35	67	76
One Ayala West and East Towers ²	Makati		6,356	70,995	69,575	98%	41	259	290
Glorietta 1&2 BPOs and Mall ²	Makati		14,075	76,106	75,681	99%	36	129	233
Marque Mall	Pampanga		2,049	40,544	40,544	100%	36		

⁽¹⁾ 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

⁽²⁾ Valuation based on latest appraisal reports using Income approach except for 1) Laguna Technopark land which was based on Market approach and 2) One Ayala West and East Towers, Glorietta 1&2 BPOs and Mall and Marque Mall which is based on latest Transaction Value

PART II- OTHER INFORMATION

Item 3. Developments as of September 30, 2023

- | | | |
|--|--|---------------------------|
| A. New project or investments in another line of business or corporation | None | |
| B. Composition of Board of Directors
(as of April 26, 2023) | Anna Ma. Margarita B. Dy | Chairman |
| | Carol T. Mills | President & CEO |
| | Bernard Vincent O. Dy | Non-Executive Director |
| | Augusto D. Bengzon | Non-Executive Director |
| | Mariana Zobel de Ayala | Non-Executive Director |
| | Omar T. Cruz | Lead Independent Director |
| | Enrico S. Cruz | Independent Director |
| | Sherisa P. Nuesa | Independent Director |
| C. Performance of the corporation or result/progress of operations | Please see the unaudited financial statements and management's discussion on the results of operations. | |
| D. Declaration of dividends | <p>₱0.52 cash dividend per outstanding common share
 Declaration date: February 24, 2023
 Record date: March 10, 2023
 Payment date: March 24, 2023</p> <p>₱0.52 cash dividend per outstanding common share
 Declaration date: May 17, 2023
 Record date: May 31, 2023
 Payment date: June 16, 2023</p> <p>₱0.53 cash dividend per outstanding common share
 Declaration date: August 17, 2023
 Record date: August 30, 2023
 Payment date: September 13, 2023</p> | |
| E. Contracts of merger, consolidation, or joint venture; contract of management, licensing, marketing, distributorship, technical assistance, or similar agreements | None | |
| F. Offering of rights, granting of Stock Options, and corresponding plans, therefore | None | |
| G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate | None | |

- | | |
|--|------|
| H. Other information, material events, or happenings that may have affected or may affect the market price of the security | None |
| I. Transferring of assets, except in the normal course of business | None |

Item 4. Other Notes to 1H 2023 Operations and Financials

- | | |
|---|--|
| J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents | Please see Item 2: Management's Discussion on Results of Operations and Analysis. |
| K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period | Please see page 26: Causes for any material changes (+/- 5% or more) in the financial statements |
| L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities | None |
| M. Material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period | None |
| N. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations | None |
| O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date | None |
| P. Other material events or transactions during the interim period | <p>20 September 2023 AREIT, Inc. (AREIT), the pioneer REIT in the Philippines, has obtained the Securities and Exchange Commission's (SEC) approval of Ayala Land, Inc. (ALI), Ayala Land Malls, Inc. (ALMI), and Northbeacon Commercial Corporation's (NBCC) (ALMI and NBCC are referred to as Subsidiaries) subscription to 607,559,380 AREIT shares in exchange for identified four (4) prime office buildings located in Ayala Commercial Center in Makati City and two (2) regional flagship malls located in Makati City and Angeles City with a total value of Php22,479,697,060.00, pursuant to</p> |

the Deed of Exchange dated 02 June 2023. The new assets are expected to contribute to earnings of the company beginning in the 3Q of 2023.

Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation	None
R. 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	None
S. Material commitments for capital expenditures, general-purpose and expected sources of funds	None
T. Known trends, events, or uncertainties that have had or that are reasonably expected to have an impact on sales/revenues/ income from continuing operations	AREIT's performance will depend on the state of the Philippine Office Sector.
U. Significant elements of income or loss that did not arise from continuing operations	None
V. Causes for any material change/s from period to period, in one, or more line items of the financial statements	Please see Notes to Financial Statements (Item 2: Management's Discussion on Results of Operations and Analysis).
W. Seasonal aspects that had a material effect on the financial condition or results of operations	None
X. Disclosures not made under SEC Form 17-C	None.

Item 5. Performance Indicators

The table below shows AREIT's performance indicators:

	End-September 2023 (Unaudited)	End-December 2022 (Audited)
Current ratio ¹	0.75:1	0.43:1
Debt-to-equity ratio ²	0.04:1	0.05:1
Net debt-to-equity ratio ³	0.04:1	0.05:1
Profitability Ratios:		
Return on Assets ⁴	5%	5%
Return on Equity ⁵	6%	5%
Asset to Equity Ratio ⁶	1.11:1	1.13:1

Notes:

- (1) The current ratio is derived by dividing current assets by current liabilities at the end of a given period. The current ratio measures our ability to pay short-term obligations.*
- (2) The debt-to-equity ratio is derived by dividing our total loans and borrowings by total equity. The debt-to-equity ratio measures the degree of our financial leverage.*
- (3) The net debt to equity ratio is derived by dividing our total loans and borrowings less cash by total equity.*
- (4) Return on assets is derived by annualized net income by total assets*
- (5) Return on equity is derived by dividing annualized net income by average shareholders' equity. Return on equity measures how profitable we are at generating profit from each unit of shareholder equity.*
- (6) The asset-to-equity ratio is derived by dividing total assets by shareholders' equity. The asset-to-equity ratio measures our financial leverage and long-term solvency.*

SIGNATURE

Pursuant to the Securities Regulation Code requirements, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **AREIT, INC.**

By:

A handwritten signature in black ink, appearing to read 'mfamy', is written over the printed name.

MA. TERESA R. FAMY
Treasurer and Chief Finance Officer

Date: November 14, 2023

October 10, 2023

THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
6th 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. Famy
AREIT, Inc.
Chief Finance and Compliance Officer

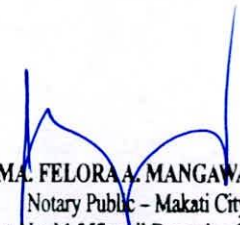
SUBSCRIBED AND SWORN to before me this OCT 10 2023 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
Represented by:		
Augusto D. Bengzon	Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
Represented by:		
Ma. Teresa R. Famy	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
Appt. No. M-257 until December 31, 2023
Roll of Attorneys No. 64804
Lifetime IBP 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

Project Name	Disbursing Entity	Amount (in PHP)
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
TOTAL		903,557,843



Agreed-Upon Procedures Report

To the Management of
Ayala Land, Inc.
31st 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

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 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


Distributing Entity	Project Name	Amount (in Php)
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
		903,557,843

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 10th 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



Property-for-Share Swap between AREIT, Inc., Ayala Land, Inc., Buendia Christiana Holdings Corp., Greenhaven Property Ventures, Inc. and Cebu Insular Hotel Co., Inc.

Fairness Opinion Report

STRICTLY PRIVATE & CONFIDENTIAL

13 November 2023

AREIT Fund Managers, Inc.

28F, Tower One & Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

Buendia Christiana Holdings Corp.

35F, Ayala Triangle Gardens Tower 2,
Ayala Triangle, Ayala Avenue, Makati City

Attention: Board of Directors of AREIT Fund Managers, Inc. and Buendia Christiana Holdings Corp.

Re: Fairness Opinion Report

Ladies and Gentlemen:

FTI Consulting Philippines, Inc. ("FTI Consulting") is pleased to submit this Fairness Opinion Report ("Report") covering the property-for-share swap transaction in relation to the planned infusion of certain properties (the "Properties") owned by Ayala Land, Inc. ("ALI"), Greenhaven Property Ventures Inc. ("GPVI"), Cebu Insular Hotel Co., Inc. ("CIHCI") and Buendia Christiana Holdings Corp. ("BCHC") into AREIT, Inc. ("AREIT").

ALI, GPVI, CIHCI, and BCHC intend to transfer the Properties to AREIT in exchange for primary shares to be issued by AREIT (the "Transaction"). The Properties consist of one office building (i.e., ATG Tower 2 in Makati City owned by ALI), one shopping mall (i.e., Greenbelt 3 & 5 in Makati City owned by ALI), two hotels, (i.e., Holiday Inn in Makati City owned by GPVI and Seda Ayala Center Cebu in Cebu City owned by CIHCI) and industrial lots (i.e., a 276-hectare land parcel located in the province of Zambales owned by BCHC, the "Zambales Lots"). Except for Zambales Lots, the land where the Properties are located will not be transferred. After the Transaction, ALI, GPVI, and CIHCI will continue earning lease income from the mall and hotels and lease these from AREIT. Further, AREIT will lease the Zambales Lots to GigaAce8, an ACEN subsidiary currently leasing from BCHC.

In this regard, FTI Consulting has been asked to render an opinion on whether the proposed exchange of AREIT shares for the Properties is fair from a financial point of view.

FTI Consulting conducted a valuation study of AREIT and the Properties in accordance with the 2022 International Valuation Standards (“IVS”) to determine the fairness of the consideration to be transferred and consideration to be received by AREIT. The following standards were used:

- IVS 101 Scope of Work
- IVS 102 Investigations and Compliance
- IVS 103 Reporting
- IVS 104 Bases of Value
- IVS 105 Valuation Approaches and Methods
- IVS 200 Business and Business Interests
- IVS 400 Real Property Interests*

The Valuation Date is 31 August 2023, with the Philippine Peso (“PHP”) as the Valuation Currency. Market Value (also referred to as “Fair Value”) is the basis of value used in this engagement. Market Value is defined in the IVS 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.

FTI Consulting considered the following a “special assumption¹” for purposes of valuing AREIT:

- Infusion of new properties (i.e., Glorietta BPO Towers 1 & 2, Glorietta 1 & 2 Malls, One Ayala – West Tower and East Tower, and Marquee Mall) into AREIT in exchange for 607.56 million primary shares to be issued by AREIT. This transaction will increase AREIT’s outstanding common shares to 2,368,606,573 from 1,761,047,193. The Securities and Exchange Commission (“SEC”) has approved the transaction, but as of the Valuation Date, the property infusion has not yet been formally recorded in the books of AREIT due to other required government clearances.

The Philippine Stock Exchange, Inc.’s (“PSE”) Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104) requires a fairness opinion covering the property-for-share swap transactions. Such fairness opinion must be supported by a valuation report. FTI Consulting is an independent firm accredited by the PSE for purposes of issuing fairness opinions and valuation reports of listed companies and prospective initial listing applicants of the Exchange in compliance with the PSE Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104). FTI Consulting is also accredited by the SEC (SEC Accreditation No. 032) as a Professional Services Organization (PSO) in accordance with SEC Memorandum No 2 Series of 2014 (Guideline on Asset Valuation).

*Provisions on valuation approaches and methods

¹ IVS 104 (Bases of Value), Section 200.4 states that “special assumptions are often used to illustrate the effect of possible changes on the value of an asset. They are designated as “special” so as to highlight to a valuation user that the valuation conclusion is contingent upon a change in current circumstances or that it reflects a view that would not be taken by participants generally on the valuation date.”

Summary of Findings

The Properties were valued using the Discounted Cash Flows (“DCF”) Method and Direct Capitalization Method under the Income Approach. AREIT, on the other hand, was valued using the DCF Method as the primary method. The Volume Weighted Average Price (“VWAP”) Method and Comparable Public Companies Method under the Market Approach were used as cross-checks. The estimated valuation ranges of the Properties and AREIT as of the Valuation Date are presented in Exhibits 1 and 2, respectively.

Exhibit 1. Valuation Summary – Properties

Properties	Low Estimate	High Estimate
In PHP millions		
ATG Tower 2	10,054.00	12,893.00
Greenbelt 3 & 5	5,004.00	5,630.00
Holiday Inn	2,420.00	2,719.00
Seda Ayala Center Cebu	1,235.00	1,388.00
Zambales Lots	6,484.00	7,074.00
TOTAL RANGE OF MARKET VALUES	25,197.00	29,704.00

Sources: FTI Consulting Analysis

Exhibit 2. Valuation Summary – AREIT

Method	Equity Value		Value per Share ¹	
In PHP millions except for the per share values	Low Est.	High Est.	Low Est.	High Est.
Discounted Cash Flows Method	75,652.01	84,375.35	31.94	35.62
<i>Cross-checks:</i>				
Volume Weighted Average Price Method	78,521.68	80,793.81	33.15	34.11
Comparable Public Companies Method				
Price-to-NTM EPS	69,792.19	78,698.47	29.47	33.23
RANGE OF MARKET VALUES	75,652.01	84,375.35	31.94	35.62

¹Total number of shares equal 2,368.61 million based on outstanding shares of 1,761.05 million and additional shares infusion of 607.56 million.

Source: FTI Consulting Analysis

*NTM = next twelve months

Fair Range of AREIT shares to be Exchanged

Given the range of market values of the Properties and the range of market values per share of AREIT, we determined the range of AREIT shares to be issued which is considered fair from a financial point of view as shown in Exhibit 3.

Exhibit 3. Fair Range of AREIT Shares to be Issued

Summary	Range of Market Values	
Amounts in PHP millions, except price per share	Low Estimate	High Estimate
ATG Tower 2	10,054.00	12,893.00
Greenbelt 3 & 5	5,004.00	5,630.00
Holiday Inn	2,420.00	2,719.00
Seda Ayala Center Cebu	1,235.00	1,388.00
Zambales Lots	6,484.00	7,074.00
AREIT (PHP/share) ¹	31.94	35.62

Fair Range of AREIT Shares to be Exchanged (in millions)	Low Estimate	High Estimate
ATG Tower 2	282.24	403.67
Greenbelt 3 & 5	140.47	176.27
Holiday Inn	67.93	85.13
Seda Ayala Center Cebu	34.67	43.46
Zambales Lots	182.02	221.48
Total Fair Range of AREIT Shares to be Exchanged	707.34	930.01

¹Rounded to two decimal places for presentation purposes

Source: FTI Consulting Analysis

Valuation Conclusion and Fairness Opinion

Exhibit 4 shows the comparison of the fair range of AREIT shares to be issued calculated by FTI Consulting and the proposed number of shares to be issued by AREIT's management in the Transaction.

Exhibit 4. Comparison of the Fair Range of AREIT Shares to be Issued and the Proposed Number of Shares to be Issued by AREIT

Total Number of Shares	Fair Range of Shares to be Issued		Proposed Number of Shares to be issued by AREIT
In Millions	Low	High	
ATG Tower 2	282.24	403.67	367.08
Greenbelt 3 & 5	140.47	176.27	159.24
Holiday Inn	67.93	85.13	77.51
Seda Ayala Center Cebu	34.67	43.46	38.33
Zambales Lots	182.02	221.48	199.11
Total number of shares	707.34	930.01	841.26

Source: FTI Consulting Analysis, AREIT Management

Given that the shares to be issued by AREIT fall within our fair ranges of shares that AREIT can issue in exchange for the Properties (as seen in Exhibit 4), we are of the opinion that the proposed Transaction is considered fair from a financial point of view.

Statement of Limitations

- This Report opines solely on the fairness of the number of primary shares to be issued by AREIT and the valuation of the Properties. It does not opine as to the operational merits or strategic rationale of the Transaction.
- In the preparation of the valuation report, FTI Consulting relied on available information and records, including but not limited on the representation of AREIT, ALI, GPVI, CIHCI, and BCHC, audited and unaudited financial statements, appraisal reports, and such other relevant supporting documents.
- While our work may include an analysis of financial and accounting data, our work does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls, or other attestation or review services in accordance with standards established by the Auditing and Assurance Standards Council ("AASC"). Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the AREIT and the Properties or any financial or other information.
- With respect to prospective financial information relative to the AREIT and the Properties referenced throughout the valuation report, we did not examine, compile, or apply agreed-upon procedures to such information in accordance with standards established by the AASC and we express no assurance of any kind on such information. There will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility for the achievability of the expected results anticipated by the Management.
- Management is responsible for any and all financial information provided to us during the course of our work.

Statement of Compliance

- The Report is reviewed and approved by the Senior Managing Directors of FTI Consulting. The Report is not approved by an internal committee.
- The Report does not express an opinion about the fairness of the compensation in the Transaction to any of AREIT's, ALI's, GPVI's, CIHCI's, and BCHC's directors, officers, or employees relative to the compensation to AREIT's, ALI's, GPVI's, CIHCI's, and BCHC's shareholders.
- FTI Consulting did not act as a financial advisor to any party to the Transaction and did not or will not receive a payment that is contingent on the successful completion of the Transaction, for rendering the fairness opinion.
- There is no material relationship between FTI Consulting and any party to the Transaction during the prior two years, in which compensation was received or intended to be received that will impair the independence of FTI Consulting.
- Information with respect to AREIT's and the Properties' operations and account balances purported to be in effect and described in our valuation report was obtained primarily through analyses provided by and discussions with AREIT's, ALI's, GPVI's, CIHCI's, and BCHC's management ("Management").
- FTI Consulting performed appropriate analysis to evaluate inputs and assumptions, and their appropriateness for the valuation purpose.
- Members of FTI Consulting, particularly those who are registered Certified Public Accountants and Chartered Financial Analysts, are compliant with the Code of Ethics of the Philippine Institute of Certified Public Accountants and the CFA Institute Code of Ethics.
- A brief description of FTI Consulting and the educational and professional qualification of its representatives who conducted the valuation is included in our valuation report.

Should you require clarification on any of the matters contained in this Report or any further information, we would be pleased to meet and discuss.

Yours faithfully,

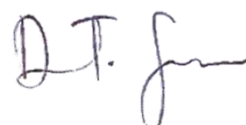
FTI CONSULTING PHILIPPINES, INC.

Suite 2403 Discovery Center,
25 ADB Avenue, Ortigas Center
Pasig City, 1605 Philippines
PSE Accreditation CN - No. 2022-0043
SEC Accreditation No. 032
Validity Date: 29 October 2020 to 28 October 2025

A handwritten signature in blue ink, appearing to read "John B. Balce", with a long, sweeping horizontal stroke extending to the right.

John B. Balce

Senior Managing Director
Suite 2403 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City
PRC License No: 0113153
Validity Date: until 27 June 2025
PTR Number: 9588865
TIN: 236-703-421

A handwritten signature in blue ink, appearing to read "D.T. Gregorio", with a stylized, cursive-like script.

Dominador T. Gregorio III

Senior Managing Director
Suite 2403 Discovery Center, 25 ADB Avenue, Ortigas Center, Pasig City
PRC License No: 0057726
Validity Date: until 18 May 2025
PTR Number: 9588864
TIN: 177-088-250

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Ayala Triangle Gardens Tower 2

Located in

**Paseo de Roxas corner Makati Avenue
Barangay Bel-Air, Salcedo Village
Makati City, Metro Manila**

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Avenue, Ayala Triangle
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**
President

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 13 November 2023. Our Independent Valuation Report was made on the basis of 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 (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Avenue, Ayala Triangle
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**
President

Subject : **CAI File No. 09-2023-0839A**
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal a certain real property exhibited to us as by the **AREIT FUND MANAGERS, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of **10 October 2023**.

The appraised property is the ***Ayala Triangle Gardens Tower 2 and its facilities***, located **Paseo de Roxas corner Makati Avenue, within Barangay Bel-Air, Salcedo 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 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 based on income approach (Discounted Cash Flow) as of **10 October 2023** is reasonably represented in the amount of **TWELVE BILLION FOUR HUNDRED SEVENTY FOUR MILLION FOUR HUNDRED SIX THOUSAND (Php12,474,406,000) PESOS.**

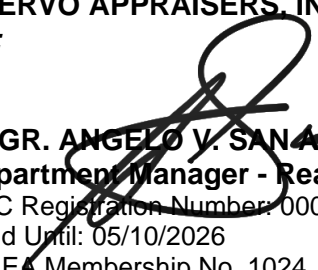
We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

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:


ENGR. ANGELO V. SAN ANTONIO
Department Manager - Real Estate
PRC Registration Number: 0000407
Valid Until: 05/10/2026
IPREA Membership No. 1024
PTR No. 9186355L
13 January 2023
City of Malolos

SRO:rvp

CAI File No. 09-2023-0839A

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. 09-2023-0839A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a certain real property located within Barangay Bel-Air, Salcedo 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 **10 October 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 clients and as shown to us by Mr. Jomari Antonio (OIC), the appraised property is the **Ayala Triangle Gardens Tower 2**, located **Paseo de Roxas corner Makati Avenue, within Barangay Bel-Air, Salcedo Village, Makati City, Metro Manila**.

The site of Ayala Triangle Garder Tower 2 is located on the southwest corner of Paseo de Roxas and Makati Avenue, it is located approximately 300-meter northeast from the intersection of Makati Avenue – Ayala Avenue; 990 meters northwest from the intersection Ayala Avenue - Epifanio Delos Santos Avenue(EDSA); 1.55 kilometers southeast from the intersection of Ayala Avenue – Sen. Gil J. Puyat Avenue; and about 435 meters southwest from the intersection Se. Gil J. Puyat Avenue – Makati Avenue.

Paseo de Roxas and Makati Avenue are both 20 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and 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 for 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 concrete, 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
- Paseo Center
- BDO Towers Valero
- Malaysian Embassy
- Prince Tower
- Makati Sports Club
- Crown Regency
- Ateneo De Manila University (Salcedo Campus)
- One Salcedo Place
- Jaime C. Velazquez Park

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 other parts of Metro Manila is available along Ayala Avenue which is approximately 300 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 Triangle Gardens Tower 2

The Ayala Triangle Gardens Tower 2 comprises offices on the Ground to 39th floors; 40th to 41st floors are machine rooms; and a helipad. The basement 1 are retail areas and the basement 2 to 5 are used as parking spaces.

This is a thirty-nine (39)-level of reinforced concrete framed building with two (2) level machine room, helipad and five (5)-level basement having concrete slab roof with water proofing membrane, aluminum composite panel cladding; skylight sheet on steel frame canopy; concrete slab soffit, fiber cement board and acoustic board on T-runner ceilings; cement plastered concrete hollow block with wall to wall granite tile finish, precast concrete, fixed glass on aluminum frame and glass curtain walls; cement plastered concrete hollow block partitions; fixed glass on aluminum frame and steel louver windows; ceramic tile, granite slab and plain concrete cement finished with epoxy paint floor; frameless glass panel, glass on aluminum frame, flush hollow metal, hollow metal with narrow glass vision lite, hollow metal with louver, and steel roll up doors; steel grill platform and walkway; concrete cement finished with epoxy paint stairways with steel nosing.

The machine room is made of concrete soffit slab ceiling, cement plastered concrete hollow block walls; steel louver windows; sliding steel louver, steel panel and plywood flush doors; and epoxy paint and plain cement finished concrete floors.

The rentable spaces are typically of concrete slab exposed ceiling, cement plastered concrete hollow block walls; glass on aluminum frame doors; and plain concrete cement flooring.

The building is divided into five (5) zones, namely the Low Zone (17th Floor Down); Mid Zone (18th - 28th Floor); High Zone (29th - 39th Floor); Retail Zone (Basement 5 - 3rd Floor) and Service Zone (Basement 5 - 41st Floor). It has a five (5) level basement. The parking area are serviced by two (2) elevators (Basement 5 - Ground Floor), the Low Zone is serviced by six (6) elevators; Mid Zone is serviced by seven (7) elevators; High Zone is service by seven (7) Elevators; Retail Zone is Service by five (5) elevators; two (2) Service Elevators, and one (1) Elevator (41st - Helipad).

This is equipped with 100% back-up generators; a centralized chilled water system; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Gross leasable area is 63,150 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 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

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 the 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. Discount rate is estimated at 10.30%, based on Capital Asset Pricing Model WACC computations as of September 30, 2023;
3. Capitalization rate adopted to arrive at the terminal value is 7.30% (10.30% WACC less 3% long term growth rate; and
4. Gross revenue of leasable spaces as well as operating expenses including leased on land were based on P & L provided to us by the client.
5. Marketing Cost is pegged at 3.5% of resale value.

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 TRIANGLE GARDENS TOWER 2																
Terminal Capitalization Rate		7.30%														
Discount Rate		10.30%														
			0	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25		11.25
		Year		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		Terminal Value
Present Worth Factor				0.9758	0.8847	0.8021	0.7272	0.6593	0.5977	0.5419	0.4913	0.4454	0.4038	0.3661		0.33191
Period Covered		"n"		0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	Totals	11.25
TOTAL REVENUES				1,247,853,406	1,379,400,342	1,422,620,671	1,476,501,497	1,528,058,874	1,570,740,486	1,617,839,970	1,652,632,298	1,699,853,689	1,748,927,060	1,803,171,257	15,344,428,292	1,622,854,131
LESS: EXPENSES				411,099,633	405,636,824	415,696,869	428,086,541	440,059,723	450,233,204	461,428,692	470,108,383	481,518,894	493,425,640	506,538,438	4,457,294,403	499,512,267
NET OPERATING INCOME				836,753,772	973,763,518	1,006,923,802	1,048,414,956	1,087,999,151	1,120,507,281	1,156,411,278	1,182,523,915	1,218,334,795	1,255,501,420	1,296,632,819	10,887,133,889	1,123,341,865
ADD: Reversion Value (Resale Value)																15,388,244,720
Net Reversion Value																15,388,244,720
Present Worth Factor @	10.30%	discount rate	-	0.97579	0.88467	0.80206	0.72716	0.65926	0.59769	0.54188	0.49128	0.44540	0.40381	0.36610		0.33191
Present Worth of Net Income			-	816,495,510	861,458,002	807,610,030	762,364,724	717,269,937	669,719,960	626,636,035	580,948,276	542,648,579	506,983,375	474,698,662	7,366,833,090	
Present Worth of Net Reversion Value																5,107,572,845
Total Present Value of Net Income				7,366,833,090												
Present Worth of Net Reversion Value				5,107,572,845												
Total				12,474,405,935												
Market Value of Property (building and its facilities)	PhP			12,474,405,935												
Rounded to	PhP			12,474,406,000												

On the basis of the foregoing, the market value of **Ayala Triangle Gardens Tower 2** (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php12,474,406,000**.

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Greenbelt 3 and 5

Located in
Barangay San Lorenzo
Makati City, Metro Manila

13 November 2023

AREIT FUND MANAGERS, INC.

28th 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 13 November 2023. Our Independent Valuation Report was made on the basis of 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

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Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 09-2023-0839-001A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **10 October 2023**.

The appraised property consists of ***buildings and other land improvements of Greenbelt 3 and 5, including its facilities***, 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 personally inspected the property, 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 based on income approach (Discounted Cash Flow) as of **10 October 2023** is reasonably represented in the amount of **FIVE BILLION FOUR HUNDRED TWENTY-THREE MILLION SIX HUNDRED TWENTY-ONE THOUSAND (Php5,423,621,000) 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. 9186355L
13 January 2023
City of Malolos

JLT:mfm

CAI File No. 09-2023-0839-001A

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. 09-2023-0839-001A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a 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 **10 October 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 located **within Barangay San Lorenzo, Makati City, Metro Manila**.

The site of Greenbelt is bounded by Dela Rosa Street on the northeast; Makati Avenue on the southeast; Esperanza Street on the southwest; Paseo de Roxas Avenue on the northwest; and Legaspi Street on the north; approximately 145 meters southwest from Ayala Avenue; 610 meters southwest from the corner of Makati Avenue and Paseo de Roxas Avenue; 980 meters southwest from the intersection of Makati and Sen GIL J. Puyat Avenues; and about 2.0 kilometers southwest from the intersection of Epifanio de los Santos and Sen. Gil J. Puyat Avenues.

Makati and Paseo de Roxas Avenues are 30 and 20 meters wide, respectively. Both are concrete paved with asphalted topping and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center-island, while Esperanza and Legaspi Streets are 10 and 12 meters wide, respectively. Both 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 (MCBD), a well-planned area developed and fully improved with multi-storey office residential condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

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 15 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

- New World Hotel Makati City
- The Residences Greenbelt
- Fairmont Makati Hotel/Raffles Makati Hotel
- The Landmark
- Makati Shangri-La – Manila
- SM Makati
- Park Square
- Park Terraces
- Garden Towers
- Asian Institute of Management

Ayala Center and Greenbelt serve as the commercial and shopping centers in the area. Ayala Center is adjacent to Greenbelt. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are accessible from Makati Avenue and Paseo de Roxas Avenue.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available at the site.

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 about 300 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 and the Metropolitan Manila Development Authority (MMDA).

V. DESCRIPTION OF IMPROVEMENTS

The land is improved with buildings and other land improvements described as follows:

Buildings

Greenbelt 3

This is a three (3)-storey reinforced concrete framed building of pre-painted ribbed type long span sheet roof; fiber cement board ceilings; cement plastered concrete hollow block walls; glass on aluminum frame windows; glass panel; flush type and glass panel with sensor sliding doors; and marble tiles, ceramic tiles, plain cement, and epoxy paint finished floor.

The building features cafe and restaurants, as well as fashion retailers on the ground floor; casual dining outlets and cafes on the second floor; cinemas ticket lobby, cafes, bars, and family entertainment center on the third and movie theaters on the third floors.

This is painted and provided with electrical, plumbing, telecommunication, and HVAC facilities. This also has elevators, escalators and firefighting equipment. Total floor area is approximately 36,659 square meters.

The estimated remaining economic life is 24 years.

Greenbelt 5

This is a four (4) and three (3)-storey reinforced concrete framed building with roof deck and basement of pre-painted ribbed type long span sheet roof; fiber cement board ceilings; cement plastered concrete hollow block walls; glass on aluminum frame windows; glass panel; flush type and glass panel with sensor sliding doors; and marble tiles, ceramic tiles, plain cement, and epoxy paint finished floor.

This is painted and provided with electrical, plumbing, telecommunication, and HVAC facilities. This also has elevators, escalators and firefighting equipment. Total floor area is approximately 57,370 square meters.

The estimated remaining economic life is 27 years.

Note: Greenbelt Buildings 1 to 5 are interconnected.

Other Land Improvements

These consists of driveways, walkways and landscaping.

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, 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 the 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. Discount rate is estimated at 8.25% using the built-up method using the 25-year BVAL and Damodaran synthetic rating spread;
3. Capitalization rate adopted to arrive at the terminal value is 5.75%; and
4. Gross revenue of leasable spaces as well as operating expenses such as management fees, taxes and license were based on P & L provided to us by the client.

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) GREENBELT 3 AND 5																
Terminal Capitalization Rate		5.75%														
Discount Rate		8.25%														
Present Worth Factor			0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373			0.40991
			Period Covered	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	Totals	11.25
GROSS REVENUES			101,291,064	407,696,533	417,888,946	428,336,170	439,044,574	450,020,688	461,271,205	472,802,985	484,623,060	496,738,637	509,157,103	4,159,713,862		521,886,030
LESS: EXPENSES			20,092,347	80,837,859	82,723,455	84,656,191	86,637,246	88,667,827	90,749,173	92,882,552	95,069,266	97,310,648	99,608,064	819,626,564		101,581,048
NET OPERATING INCOME			81,198,717	326,858,674	335,165,491	343,679,978	352,407,328	361,352,861	370,522,032	379,920,433	389,553,794	399,427,989	409,549,039	3,340,087,297		420,304,982
ADD: Reversion Value (Resale Value)																7,309,651,867
Net Reversion Value																7,309,651,867
Present Worth Factor @ 8.25% discount rate			0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373			0.40991
Present Worth of Net Income			79,605,338	296,022,780	280,411,945	265,621,693	251,609,094	238,333,448	225,756,171	213,840,687	202,552,320	191,858,203	181,727,179	2,427,338,859		
Present Worth of Net Reversion Value																2,996,282,529
Total Present Value of Net Income				2,427,338,859												
Present Worth of Net Reversion Value				2,996,282,529												
Total				5,423,621,388												
Market Value of Property (buildings and its facilities)			PhP	5,423,621,388												
Rounded to			PhP	5,423,621,000												

On the basis of the foregoing, the market value of the property Greenbelt 3 & 5 (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php5,423,621,000**.

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Holiday Inn & Suites Makati

Located in
**Ayala Center, Barangay San Lorenzo
Makati City, Metro Manila**

13 November 2023

AREIT FUND MANAGERS, INC.

28th 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 13 November 2023. Our Independent Valuation Report was made on the basis of 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) the Philippine Valuation Standards (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 09-2023-0839-002A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **09 October 2023**.

The appraised property consists of a ***building and its facilities, of the Holiday Inn and Suites Makati***, located **along Palm Drive 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 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 **09 October 2023** is reasonably represented in the amount of **TWO BILLION SIX HUNDRED THIRTY-EIGHT MILLION SIX HUNDRED FORTY-SEVEN THOUSAND (Php2,638,647,000) 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. 9186355L

13 January 2023

City of Malolos

MCC:moa

CAI File No. 09-2023-0839-002A

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. 09-2023-0839-002A

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 **09 October 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 Mr. Froilan Ilagan (client's representative), the appraised property is the **Holiday Inn & Suites Makati**, located **along Palm Drive, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The site of Holiday Inn & Suites is located on the northeast side of Palm Drive, approximately 100-meters northwest from East Street; 125-meters southeast from West Street; and about 270-meters northwest from Epifanio de los Santos Avenue (EDSA) near Ayala MRT Station.

Ayala Avenue, East and West Streets are correspondingly 40, 15 and 15 meters wide. These are concrete paved with asphalt overlay, provided with concrete sidewalks, concrete curbs and gutters, and underground drainage, and a center island.

III. NEIGHBORHOOD DATA

The Ayala Center is a major commercial development operated by Ayala Land located in the Makati Central Business District Makati, Metro Manila.

The Ayala Center is a recreational, shopping, dining, and entertainment development located in the heart of Makati. It is bounded by Ayala Avenue, Dela Rosa Street, and Legazpi Street to the north, Epifanio de los Santos Avenue (EDSA) to the east, Arnaiz Avenue to the south, and to the west by Paseo de Roxas. The Ayala station of MRT Line 3 serves the area.

Today, the complex includes several malls, each with its own shopping and restaurant arcades and cinemas; three department stores, a number of hotels; and the Ayala Museum, showcasing exhibits on Philippine history and art.

To ensure traffic decongestion, most of the streets within Ayala Center 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 50 meters and lighted with streetlights.

Some of the important improvements in the vicinity are:

Glorietta Malls
Dusit Thani Hotel
Park Square
Ayala Triangle Gardens
Ayala MRT Station
Assumption College San Lorenzo

Glorietta Malls, SM Makati, and The 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 Palm Drive by taxicab.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available in the subject hotel building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available in One Ayala Terminal which is approximately 500 meters from the subject hotel 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. LAND DATA

No copy of the title or any ownership documents provided to us by the client. However, as measured on Google Map, Holiday Inn and Suites Makati stands on 1,500-square meter lot.

Attached is the location plan of the property.

No title verification was conducted to confirm the existence of the owner's original copy of the title supposedly on file with the Registry of Deeds since it is not included in the assignment.

VI. DESCRIPTION OF THE IMPROVEMENTS

Holiday Inn & Suites Makati

This is a single tower building of sixteen (16)-storey with two (2)-level basements and roof deck sitting on top of the newly redeveloped Glorietta Mall. Building constructed to a 5-star hotel. The hotel houses 348 guest rooms which are comprised of standard rooms, junior suites, deluxe suites, and executive suites. A typical guest room floor has a footprint of about 1,240 square meters. Amenities include a lobby lounge, all day dining, bar, function rooms, business center, executive lounge, health club, fitness gym along Palm Drive.

This is a reinforced concrete frame, beams, columns and foundation; reinforced concrete plain cement with ceramic, marble, granite, vinyl, carpeted and automotive carbon black paint floor finish; gypsum board on aluminum T-runner, reinforced concrete, and suspended ceiling; cement plastered concrete hollow block walls, partially with floor to ceiling granite tile, wood cladding, stone strip tile and fixed glass on aluminum framed walls; cement plastered concrete hollow block, gypsum board, and low level with fabric cubicle wall partitions; reinforced concrete stairs, with steel handrail, wooden stair treads with glass and wood handrail; fixed glass on powder coated aluminum framed view and steel louver windows; steel canopy; wooden, flush type, glass on aluminum frame, frameless glass and steel panel doors.

This is equipped with 100% back-up generators; high-speed designated to hotel specifications; provisions of two (2) data and Telecom Providers; independent integrated fire alarm and monitor sprinkler system; fully integrated security and access control systems as per hotel standards; fully integrated building management systems for monitoring the various support systems; and seismic device monitoring system among others. Total floor area is 27,391-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 utility, as hotel** 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. Discount rate is estimated at 8.25% using built-up method based on 25-year BVAL and Damodaran synthetic rating spread;
3. Capitalization rate adopted to arrive at the terminal value is 5.75%; and
4. Gross revenue of leasable spaces as well as operating expenses such as management fees, taxes and license were based on P & L provided to us by the client; and

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) HOLIDAY INN AND SUITES MAKATI																
Terminal Capitalization Rate		5.75%														
Discount Rate		8.25%														
Present Worth Factor			0.9804	0.9057	0.8366	0.7729	0.7140	0.6596	0.6093	0.5629	0.5200	0.4803	0.4437		0.4099	
			Period Covered	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	Totals	11.25
GROSS REVENUES				49,303,800	198,447,795	203,408,990	208,494,215	213,706,570	219,049,234	224,525,465	230,138,602	235,892,067	241,789,368	247,834,103	2,024,756,106	254,029,955
LESS: EXPENSES				9,779,953	39,347,842	40,265,663	41,206,430	42,170,715	43,159,108	44,172,211	45,210,641	46,275,032	47,366,033	48,484,309	398,953,630	49,630,542
NET OPERATING INCOME				39,523,847	159,099,953	163,143,327	167,287,785	171,535,855	175,890,126	180,353,254	184,927,960	189,617,034	194,423,335	199,349,794	1,625,802,476	204,399,413
ADD: Reversion Value (Resale Value)																3,554,772,409
Net Reversion Value																3,554,772,409
Present Worth Factor @	0.0825	discount rate		0.9804	0.9057	0.8366	0.7729	0.7140	0.6596	0.6093	0.5629	0.5200	0.4803	0.4437		0.4099
Present Worth of Net Income				38,748,262	144,090,441	136,491,790	129,292,561	122,471,860	116,009,875	109,887,825	104,087,905	98,593,239	93,387,826	88,456,503	1,181,518,087	
Present Worth of Net Reversion Value																1,457,128,555
Total Present Value of Net Income																1,181,518,087
Present Worth of Net Reversion Value																1,457,128,555
Total																2,638,646,642
Market Value of Property (buildings and its facilities)			PhP	2,638,646,642												
			Rounded to	PhP	2,638,647,000											

On the basis of the foregoing, the market value of the **Holiday Inn and Suites Makati** (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,638,647,000**.

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Seda Ayala Center Cebu

Located in
Cebu Business Park
Barangay Hipodromo, Cebu City

13 November 2023

AREIT FUND MANAGERS, INC.

28th 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 13 November 2023. Our Independent Valuation Report was made on the basis of 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 (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.

28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**

Subject : **CAI File No. 09-2023-0839-003A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **06 October 2023**.

The appraised property is the **Seda Ayala Center Cebu building and its facilities**, located **along Cardinal Rosales Avenue, 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 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 based on income approach (Discounted Cash Flow) as of **06 October 2023** is reasonably represented in the amount of **ONE BILLION THREE HUNDRED TWENTY-SEVEN MILLION THREE HUNDRED TWENTY-FIVE THOUSAND (Php1,327,325,000) 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. ANSELO V. SAN ANTONIO

Department Manager - Real Estate

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 9186355L

13 January 2023

City of Malolos

MRC:moa

CAI File No. 09-2023-0839-003A

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. 09-2023-0839-003A

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 **06 October 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

The appraised property is the **SEDA HOTEL – Ayala Center Cebu**, located **along Cardinal Rosales Avenue within Cebu Business Park, Barangay Hipodromo, Cebu City**.

The site of Seda Hotel is located across Cebu Holdings, approximately 100-meter southwest from the intersection of Mindanao Avenue and Cardinal Rosales Avenue; 250-meters northeast from Luzon Avenue; 600-meters southeast from Archbishop Reyes Avenue; 3.60-kilometers northeast from Cebu City Hall; and about 12.20-kilometers east from Mactan – Cebu International Airport.

Cardinal Rosales Avenue is 35 meters, concrete paved, provided with center island, concrete sidewalks, concrete curbs and gutters, and an underground drainage.

III. NEIGHBORHOOD DATA

The Cebu Business Park (CBP) is a 50-hectare master planned 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
- Lexmark Plaza
- Kepwealth Center Cebu (formerly Keppel Center)
- Pioneer House Cebu
- City Sports Club
- Cebu Holdings Center

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 the other parts of Metro Cebu is available along Cardinal Rosales Avenue where the 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.

V. LAND DATA

No copy of the title or any ownership documents provided to us by the client. However, as measured on Google Map, Seda Hotel – Ayala Center Cebu stands on 5,600-square meter lot.

Attached is the location plan of the property.

No title verification was conducted to confirm the existence of the owner's original copy of the title supposedly on file with the Registry of Deeds since it is not included in the assignment.

VI. DESCRIPTION OF IMPROVEMENTS

Seda Hotel (Ayala Center Cebu)

This is a four (4) star twelve (12)-storey reinforced concrete framed hotel building with basement and roof deck, features 301-guest room comprises of standard rooms, business twin king, club suite and presidential suite. Amenities include a lobby lounge, all day dining, bar, function rooms, business center, executive lounge, health club, fitness gym along Cardinal Rosales Avenue.

This has reinforced concrete frame, beams, columns and foundation; reinforced concrete floor slab with plain cement, ceramic, marble, granite and vinyl tiles, and wall to wall carpet finishes; gypsum board on aluminum T-runner, acoustic board on aluminum T-runner and suspended ceiling; cement plastered concrete hollow block partially with wood cladding, Deco Stone strip tile and fixed glass on aluminum framed walls; cement plastered concrete hollow block, tempered glass on aluminum frame, gypsum board, and laminated wood cubicle partitions; tempered fixed glass on powder coated aluminum framed view, awning tempered glass on powder coated aluminum frame and steel louver windows; wood panel, laminated wood, glass on aluminum frame, frameless glass and steel panel doors; and reinforced concrete stairs with steel handrail.

This is equipped with 100% back-up generators; high-speed designated to hotel specifications; provisions of two (2) data and Telecom Providers; independent integrated fire alarm and monitor sprinkler system; fully integrated security and access control systems as per hotel standards; fully integrated building management systems for monitoring the various support systems; and seismic device monitoring system among others. Total floor area is 13,579-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 utility, as hotel** 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. Discount rate is estimated at 8.25% using built-up method based on 25-year BVAL and Damodaran synthetic rating spread;
3. Capitalization rate adopted to arrive at the terminal value is 5.75%; and
4. Gross revenue of leasable spaces as well as operating expenses such as management fees, taxes and license were based on P & L provided to us by the client.

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) SEDA HOTEL AYALA CENTER CEBU																
Terminal Capitalization Rate		5.75%														
Discount Rate		8.25%														
Present Worth Factor				0.9804	0.9057	0.8366	0.7729	0.7140	0.6596	0.6093	0.5629	0.5200	0.4803	0.4437		0.40991
			Period Covered	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	Totals	11.25
GROSS REVENUES				25,766,153	103,708,764	106,301,483	108,959,020	111,682,995	114,475,070	117,336,947	120,270,371	123,277,130	126,359,058	129,518,035	1,058,136,991	129,518,035
LESS: EXPENSES				5,607,811	22,563,297	23,094,804	23,639,599	24,198,014	24,770,389	25,357,074	25,958,426	26,574,812	27,206,607	27,854,197	228,970,833	27,854,197
NET OPERATING INCOME				20,158,341	81,145,467	83,206,679	85,319,421	87,484,981	89,704,681	91,979,873	94,311,945	96,702,318	99,152,451	101,663,838	829,166,158	101,663,838
ADD: Reversion Value (Resale Value)																1,768,066,742
Net Reversion Value																1,768,066,742
Present Worth Factor @	8.25%	discount rate		0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373		0.40991
Present Worth of Net Income				19,762,770	73,490,192	69,613,810	65,941,255	62,461,859	59,165,509	56,042,616	53,084,091	50,281,320	47,626,135	45,110,794	602,580,351	
Present Worth of Net Reversion Value																724,744,158
Total Present Value of Net Income																602,580,351
Present Worth of Net Reversion Value																724,744,158
Total																1,327,324,509
Market Value of Property (buildings and its facilities)			PhP													1,327,324,509
Rounded to			PhP													1,327,325,000

On the basis of the foregoing, the market value of the Seda Hotel Ayala Center Cebu (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,327,325,000**.

MARKET VALUE APPRAISAL

Property exhibited to us by the
***AREIT FUND MANAGERS, INC. and
BUENDIA CHRISTIANA HOLDINGS CORP.***

Zambales Property (276 hectares of land)

Located in
**Barangays Salaza and Bulawen
Palauig, Zambales**

13 November 2023

AREIT FUND MANAGERS, INC.
28F Tower One and Exchange
Plaza, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

BUENDIA CHRISTIANA HOLDINGS CORP.
35th Floor, Ayala Triangle Gardens Tower 2
Paseo de Roxas corner Makati Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO**
President

MS. JANEL BEA
CFO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 13 November 2023. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC. AND BUENDIA CHRISTIANA HOLDINGS CORP.**, 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 (2nd 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. Also, Cuervo Appraisers, Inc. is accredited by both Philippine Stock Exchange, Inc. (PSE) and 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. 0182776

09 January 2023

City of Pasig

13 November 2023

AREIT FUND MANAGERS, INC.
28F Tower One and Exchange
Plaza, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

BUENDIA CHRISTIANA HOLDINGS CORP.
35th Floor, Ayala Triangle Gardens Tower 2
Paseo de Roxas corner Makati Avenue
Makati City, Metro Manila

Attention : **MS. PATRICIA GAIL Y. SAMANIEGO** **MS. JANEL BEA**
President CFO

Subject : **CAI File No. 09-2023-0840**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC. and BUENDIA CHRISTIANA HOLDINGS CORP.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **03 October 2023**.

The appraised property consists of **land only**, located in **(Zambales Property) Salaza and Bulawen, Palauig, Zambales**.

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, 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 using income approach (Discounted Cash Flow) appraised as of **03 October 2023** is reasonably represented in the amount of **SIX BILLION SEVEN HUNDRED THIRTY-FOUR MILLION TWO HUNDRED EIGHT THOUSAND (Php6,734,208,000) 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. 9186355L
13 January 2023
City of Malolos

WVE:agd:mfm

CAI File No. 09-2023-0840

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. 09-2023-0840

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of certain real property located in Zambales Property. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **03 October 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 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 and as shown to us by the client's representative, the appraised property is designated as Zambales Property, located **along Palauig-Tapulao Jump-Off Road in Salaza and Bulawen, Palauig, Zambales Property**.

The property is located on the southwest side of Palauig-Tapulao Jump-Off Road; approximately 78 meters southwest from Manggahan Elementary School; 220 meters southwest from Sparc Solar Power Plant; 2.14 kilometers southeast from Palauig Solar Farm; 3.3 kilometers southeast from the corner of Palauig-Tapulao Jump-Off Road and Olongapo-Bugallon Road; about 3.4 kilometers southeast from Zameco 1 Main Office.

The orientation 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 located in an area where land development is of mixed residential, agricultural and industrial use.

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 the vicinity are:

Manggahan Elementary School
Sparc Solar Power Plant
Dampay Elementary School
Palauig Solar Farm

Palauig Public Market serves the commercial, shopping and marketing needs of the residents in the area. This is accessible from Palauig-Tapulao Jump-Off Road by public transportation. Other community centers like the post office, public market, churches/chapels, hospital/clinics, and public and private schools are likewise accessible from the property.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, telecommunication and water supply facilities are available at the site.

Public transportation connecting to various sections of Palauig, Zambales is available along Palauig-Tapulao Jump-Off Road where the property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the local government.

V. LAND DATA

The land consists of sixty-three (63) lots, containing a total area of 2,759,135 square meters, the particulars are as follows:

Lot No.	Block No.	Survey Plan	TCT No.	Area (sq.m.)	Registered Owner
1	1	Psd-341311	044-2023004093	50,054	BUENDIA CHRISTIANA HOLDINGS CORP.
2	1	(LRC) Psd-341311	044-2023002934	50,281	BUENDIA CHRISTIANA HOLDINGS CORP.
3	1	(LRC) Psd-341311	044-2023002930	48,927	BUENDIA CHRISTIANA HOLDINGS CORP.
4	1	(LRC) Psd-341311	044-2023002931	45,094	BUENDIA CHRISTIANA HOLDINGS CORP.
5	1	(LRC) Psd-341311	044-2023004327	65,840	BUENDIA CHRISTIANA HOLDINGS CORP.
6	1	(LRC) Psd-341311	044-2023002933	41,309	BUENDIA CHRISTIANA HOLDINGS CORP.
1	2	(LRC) Psd-341311	(T-36389) 044-2022003588	60,569	MACARENA L. OCA (MINOR), ET AL

2	2	(LRC) Psd-341311	(T-36390) 044-2022003589	41,114	MACARENA L. OCA (MINOR), ET AL
3	2	(LRC) Psd-341311	(T-36392) 044-2022003591	12,966	MA. NIEVES SAN DIEGO (MINOR)
4	2	(LRC) Psd-341311	(T-35183) 044-2022003559	56,667	TERESA MAGSAYSAY OCA, married to Antonio A. San Diego
5	2	(LRC) Psd-341311	(T-36391) 044-2022003590	68,439	ROBERTO OCA III (Minor), ET AL
6	2	(LRC) Psd-341311	044-2014000625	50,293	MARIA PILAR MAGSAYSAY HERNANDEZ, married to Mario C. Hernandez, ET AL
7	2	(LRC) Psd-341311	(T-36387) 044-2022003586	53,779	MANOLO D. MAGSAYSAY, married to Maria Rowena A. Magsaysay
8	2	(LRC) Psd-341311	(T-36388) 044-2022003587	53,777	MANOLO D. MAGSAYSAY, married to Maria Rowena A. Magsaysay
9	2	(LRC) Psd-341311	(T-35719) 044-2022003564	53,773	OFELIA MAGSAYSAY, married to Lauro Magsaysay
1	3	(LRC) Psd-341311	(T-36110) 044-2022003577	20,000	JOHN W. SPAKOWSKI, married to Ma. Pia M. Spakowski
2	3	(LRC) Psd-341311	(T-34881) 044-2022003554	20,000	JOSEFINA M. DE JESUS, married to Ricardo De Jesus
3	3	(LRC) Psd-341311	(T-34964) 044-2022003557	20,000	CLARITA CARBALLO, married to Numeriano Carballo
4	3	(LRC) Psd-341311	(T-34965) 044-2022003558	20,000	DULCE DE LEON, married to Silverio De Leon
5	3	(LRC) Psd-341311	(T-36020) 044-2022003573	20,000	AIDA MENDIOLA, married to Remigio Mendiola
6	3	(LRC) Psd-341311	(T-34882) 044-2022003555	20,000	ELIZABETH I. ORLINA, married to Dominador A. Orlina
7	3	(LRC) Psd-341311	044-2023004324	18,491	BUENDIA CHRISTIANA HOLDINGS CORP.
8	3	(LRC) Psd-341311	(T-34883) 044-2022003556	19,392	ERNESTO EVANGELISTA, married to Mercedita Evangelista
1	4	(LRC) Psd-341311	044-2023002932	20,001	BUENDIA CHRISTIANA HOLDINGS CORP.
3	4	(LRC) Psd-341311	044-2023004326	20,000	BUENDIA CHRISTIANA HOLDINGS CORP.
4	4	(LRC) Psd-341311	(T-34478) 044-2022003550	20,000	JOSEPHINE T. SALUD, married to Atty. Rodrigo Salud
5	4	(LRC) Psd-341311	(T-36021) 044-2022003574	27,341	SPOUSES MERCEDITA EVANGELISTA AND ERNESTO EVANGELISTA, SR.

6	4	(LRC) Psd-341311	044-2023004323	33,261	BUENDIA CHRISTIANA HOLDINGS CORP.
1	5	(LRC) Psd-341311	(T-36109) 044-2022003576	31,235	JOHNNY S. OCA, SR., married to Angelita Oca, ET AL
2	5	(LRC) Psd-341311	(T-34479) 044-2022003551	10,393	SPOUSES EMMANUEL M. BASABAS AND LIDUVINA VALDIVIA BASABAS
3	5	(LRC) Psd-341311	(T-36108) 044-2022003575	10,207	VIRGILIO C. MANGUERA, married to Consuelo Manguera
4	5	(LRC) Psd-341311	044-2023002935	10,025	BUENDIA CHRISTIANA HOLDINGS CORP.
5	5	(LRC) Psd-341311	044-2023004014	9,840	BUENDIA CHRISTIANA HOLDINGS CORP.
6	5	(LRC) Psd-341311	044-2023004016	9,658	BUENDIA CHRISTIANA HOLDINGS CORP.
7	5	(LRC) Psd-341311	044-2023003984	10,308	BUENDIA CHRISTIANA HOLDINGS CORP.
9	5	(LRC) Psd-341311	044-2023004015	9,196	BUENDIA CHRISTIANA HOLDINGS CORP.
10	5	(LRC) Psd-341311	044-2023004098	9,544	BUENDIA CHRISTIANA HOLDINGS CORP.
11	5	(LRC) Psd-341311	(T-36015) 044-2022003568	10,375	IGUAL DEVELOPMENT CORPORATION
12	5	(LRC) Psd-341311	(T-36016) 044-2022003569	11,803	IGUAL DEVELOPMENT CORPORATION
13	5	(LRC) Psd-341311	(T-36017) 044-2022003570	10,261	IGUAL DEVELOPMENT CORPORATION
14	5	(LRC) Psd-341311	044-2023004094	10,351	BUENDIA CHRISTIANA HOLDINGS CORP.
15	5	(LRC) Psd-341311	044-2023004096	11,142	BUENDIA CHRISTIANA HOLDINGS CORP.
16	5	(LRC) Psd-341311	044-2023003841	11,243	BUENDIA CHRISTIANA HOLDINGS CORP.
17	5	(LRC) Psd-341311	044-2023003842	11,345	BUENDIA CHRISTIANA HOLDINGS CORP.
Road Lot 1		(LRC) Psd-341311	044-2023004333	15,508	BUENDIA CHRISTIANA HOLDINGS CORP.
Road Lot 2		(LRC) Psd-341311	(T-35716) 044-2022003561	5,159	CECILE O. LACSON, married to Jose Carlos Lacson
Road Lot 3		(LRC) Psd-341311	(T-35717) 044-2022003562	3,594	CECILE O. LACSON, married to Jose Carlos Lacson

Road Lot 4	(LRC) Psd-341311	(T-35718) 044-2022003563	8,564	CECILE O. LACSON, married to Jose Carlos Lacson
4	(LRC) Psd-341970	044-2023004325	121,399	BUENDIA CHRISTIANA HOLDINGS CORP.
4362-B	Csd-03-001403-D	P-7194	103,617	ANDRES A. DE LA ROSA
4464-B	Psd-03-098538	C-T-2875	25,089	MELCHOR B. DELA ROSA
4464-A	Psd-03-098538	C-T-2874	25,090	ROSENDO B. DELA ROSA
4349-A	Psd-03-098541	C-T-4789	24,874	MA. THERESA B. DELA ROSA
4466	Cad 364-D	C-O-3155	29,140	ESTRELLA R. DUMLAO
4348-C	Csd-03-001599-D	CLOA-T-1384	209,107	RICARDO DEL FIERRO, ET AL
4348-B	Csd-03-001599-D	CLOA-O-2400	237,345	DAN RODILLO, ET AL
4351	Csd-364-D	T-34763	108,800	DANTE RODILLO, ET AL
4639-A	Psd-03-098540	C-T-4787	24,079	BASILIO B. DELA ROSA
4639-B	Psd-03-098540	C-T-4788	24,080	EDWIN L. DELA ROSA
4348-A	Csd-03-001599-D	C-O-3199	236,179	JASMINE R. DELA ROSA, ET AL
4349-B	Psd-03-098541	C-T-4790	24,873	LUIS B. DELA ROSA
4468	Cad 364-D	C-T-2894	79,385	SHERWIN R. DUMLAO, ET AL
4362-A	Csd-03-001403-D	CLOA-T-1506	234,959	SAMUEL DELA ROSA, ET AL
Total Area -			2,759,135	sq.m.

The above certificates of title were all issued by the Registry of Deeds for Iba, Zambales and Province of Zambales.

Attached is a reproduction copy of the plan of the property provided to us by the client.

The terrain of the land is flat, rolling and hilly. Its elevation is at grade with the fronting road.

No title verification was conducted to confirm the existence of the owner's original copy of the titles supposedly on file with the Registry of Deeds, since it is not included in the assignment.

Government Assessment

BIR Zonal Value of Real Property within Palauig, Zambales as per Department Order No. 0019-2022, effective 13 May 2022:

Barangay	Street Name	Vicinity	Classification	2 nd Revision Zonal Value (Php/sq.m.)
Bulawen	All Lots	Along Barangay Road	Residential	800
Salaza	All Lots	Interior	Residential	500
			Commercial	2,000
		Along Barangay Road	Residential	1,500
-	-	Interior	Industrial	2,000
			Residential	1,000

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 **industrial 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

By Income Approach – Discounted Cash Flow

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 the 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 25-year investment horizon based on 25-year guaranteed lease contract renewable for another 25-year. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 25-year period;
2. Discount rate is estimated at 8.25% using built-up method based on the 25 year BVAL and Damodaran synthetic rating spread;
3. Capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Gross revenue/Annual land lease rate as well as operating expenses such as management fees, taxes and license were based on P & L provided to us by the client.

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 Fair Value of the Property.

Discounted Cash Flow Analysis (in PhP)																												
Zambales Property																												
STATISTICS																												
Total Land Area		2,759,135.00	sq.m.																									
Occupied/ Leasable Area		2,759,135.00	sq.m.																									
Gross Leasable Area		2,759,135.00	sq.m.																									
Terminal Capitalization Rate		6.75%																										
Discount Rate		8.25%																										
Present Worth Factor			0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373	0.40991	0.37867	0.34981	0.32315	0.29862	0.27577	0.25475	0.23534	0.21740	0.20083	0.18553	0.17139	0.15833	0.14626	0.13511
	Year	0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	11.25	12.25	13.25	14.25	15.25	16.25	17.25	18.25	19.25	20.25	21.25	22.25	23.25	24.25	Totals	25.25
Annual Rent (Phpsq.m.)		14.46	14.52	14.73	14.95	15.18	15.41	15.64	15.87	16.11	16.35	16.60	16.85	17.10	17.36	17.62	17.88	18.15	18.42	18.70	18.98	19.26	19.55	19.84	20.14	20.44		20.75
GROSS REVENUES	Escalation		0.37%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%		1.50%
Annual Land lease	Php																											
Total Annual Gross Rental																												
Total Annual Revenues																												
LESS:																												
Vacancy Rate (incl. bad debts)																												
Gross Revenues		119,705,072	480,615,884	487,825,102	495,142,478	502,569,616	510,108,160	517,759,782	525,526,179	533,409,072	541,410,208	549,531,361	557,774,331	566,140,946	574,633,060	583,252,356	592,001,345	600,881,365	609,894,595	619,043,004	628,328,649	637,753,579	647,319,883	657,029,681	666,885,126	676,888,403	13,881,429,408	687,041,729
Advance Rent		359,115,216	(359,115,216)																									
Rental Discount on the 26th year	10.00%																											68,704,173
LESS EXPENSES:																												618,337,556
Admin and Miscellaneous Expenses		1,762,750	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	7,051,000	170,986,750
Tax and Licenses		897,788	3,604,619	3,658,698	3,713,569	3,769,272	3,825,811	3,883,198	3,941,446	4,000,568	4,060,577	4,121,485	4,183,307	4,246,057	4,309,748	4,374,394	4,440,010	4,506,610	4,574,209	4,642,823	4,712,465	4,783,152	4,854,899	4,927,723	5,001,638	5,076,663	5,152,813	104,110,721
Total		2,660,538	10,655,619	10,709,688	10,764,569	10,820,272	10,876,811	10,934,198	10,992,446	11,051,568	11,111,577	11,172,485	11,234,307	11,297,057	11,360,748	11,425,394	11,491,010	11,557,610	11,625,209	11,693,823	11,763,465	11,834,152	11,905,889	11,978,723	12,052,638	12,127,663	275,097,471	12,203,813
NET CASHFLOWS FROM OPERATIONS		476,159,750	110,845,029	477,115,414	484,377,910	491,749,344	499,231,349	506,825,584	514,533,733	522,357,504	530,298,631	538,358,876	546,540,024	554,843,889	563,272,313	571,827,162	580,510,335	589,323,755	598,269,376	607,349,182	616,565,184	625,919,427	635,413,984	645,050,958	654,832,488	664,780,740	13,696,331,937	606,133,743
ADD: Reversion Value (Resale Value)																												8,979,759,158
Present Worth Factor @ 8.25% discount rate		0.98038	0.90566	0.83664	0.77288	0.71397	0.65956	0.60929	0.56286	0.51996	0.48033	0.44373	0.40991	0.37867	0.34981	0.32315	0.29862	0.27577	0.25475	0.23534	0.21740	0.20083	0.18553	0.17139	0.15833	0.14626	0.13511	
Present Worth of Net Income		466,815,970	100,387,893	399,172,543	374,363,819	351,095,443	329,272,414	308,804,857	289,698,658	271,694,913	254,719,612	238,883,334	224,030,960	210,101,412	197,037,387	184,785,179	173,294,350	162,517,634	152,410,684	142,931,906	134,042,286	125,705,232	117,886,422	110,553,663	103,676,762	97,227,389	5,520,930,541	
Present Worth of Net Reversion Value																												1,213,277,341
Total Present Value of Net Income																											5,520,930,541	
Present Worth of Net Reversion Value																											1,213,277,341	
Total																											6,734,207,883	
Market Value of Property (land only)																											6,734,207,883	
Rounded to																											6,734,208,000	
1/2,759,135-sq.m. total area																												
PhP2,441 per sq.m.																												

On the basis of the foregoing, the market value of the property (land only) using the Discounted Cash Flow Analysis, is represented in the amount of **Php6,734,208,000**.

SEC Number: CS200613870

File Number: _____

AREIT, INC.

(Company's Full Name)

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

(Company Address)

(632) 7908-3804

(Telephone Number)

September 30, 2023

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

-

(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**
2. Commission Identification Number **CS200613870**
3. BIR Tax Identification No. **006-346-689-00000**
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 September 30, 2023

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

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

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 ☒ No ☐

(b) has been subject to such filing requirements for the past 90 days:

Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

AREIT, INC.

STATEMENTS OF FINANCIAL POSITION

	September 30, 2023 Unaudited	December 31, 2022 Audited
ASSETS		
Current Assets		
Cash (Note 4)	P60,783,607	P62,753,382
Receivables (Note5)	4,390,125,825	1,919,183,751
Other current assets (Note6)	309,569,643	155,825,886
Total Current Assets	4,760,479,075	2,137,763,019
Noncurrent Assets		
Noncurrent portion of receivables (Note 5)	8,210,218,569	2,986,455,069
Investment properties (Note 7)	77,900,508,862	60,871,459,005
Property and equipment	1,123,310	598,631
Other noncurrent assets (Note6)	1,594,879,792	1,689,713,043
Total Noncurrent Assets	87,706,730,533	65,548,225,748
	P92,467,209,608	P67,685,988,767
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 8)	P2,163,753,443	P1,065,080,572
Short-term debt (Note 9)	300,000,000	300,000,000
Current portion of long-term debt	2,994,793,729	2,977,693,930
Current portion of deposits, other liabilities (Note 11)	726,656,336	527,675,373
Current portion of lease liability	50,529,294	50,290,868
Construction bonds (Note 10)	82,839,984	98,584,276
Total Current Liabilities	6,318,572,786	5,019,325,019
Noncurrent Liabilities		
Deposits, other liabilities, net of current portion (Note 11)	2,004,492,445	1,457,484,429
Lease liability- net of current portion	1,192,205,852	1,136,289,490
Total Noncurrent Liabilities	3,196,698,297	2,593,773,919
Total Liabilities	9,515,271,083	7,613,098,938
Equity (Note 12)		
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	22,945,840,414	22,440,772,367
Total Equity	82,951,938,525	60,072,889,829
	P92,467,209,608	P67,685,988,767

AREIT, INC.**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

	2023 Unaudited		2022 Unaudited	
	July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 to September 30
REVENUE				
Rental income	P1,522,792,954	P3,799,275,874	P896,567,595	P2,639,205,689
Dues- net	340,100,808	923,950,214	238,397,060	749,891,260
Interest income from finance lease receivables	170,421,322	280,210,137	56,037,282	166,284,544
	2,033,315,084	5,003,436,225	1,191,001,937	3,555,381,493
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES				
	(158,068,068)	(161,061,428)	7,385,251	23,921,250
COSTS AND EXPENSES				
Direct operating expenses	565,675,371	1,403,693,224	328,441,892	955,139,803
General and administrative expenses	27,123,703	62,790,096	12,430,014	50,715,889
	592,799,074	1,466,483,320	340,871,906	1,005,855,692
OTHER INCOME (CHARGES) - Net				
Interest income	–	46,803,516	8,249,541	20,901,823
Interest expense and other charges	(67,578,838)	(153,414,090)	(41,225,074)	(158,564,137)
Other income (expenses)	17,378,882	1,391,820	(10,298,772)	3,940,719
	(50,199,956)	(105,218,754)	(43,274,305)	(133,721,595)
INCOME BEFORE INCOME TAX	1,232,247,986	3,270,672,723	814,240,977	2,439,725,456
PROVISION FOR INCOME TAX	298,648	760,583	28,877	62,659
NET INCOME	1,231,949,338	3,269,912,140	814,212,100	2,439,662,797
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME	P1,231,949,338	P3,269,912,140	P814,212,100	P 2,439,662,797
Basic/Diluted Earnings Per Share	P0.52	P1.38	P0.54	P1.62

AREIT, INC.**INTERIM STATEMENTS OF CHANGES IN EQUITY**

	September 30, 2023 Unaudited	September, 2022 Unaudited
PAID-UP CAPITAL		
Common Shares - ₱10 par value		
Balance at beginning and end of period	₱18,283,771,630	₱15,762,407,800
Issuance of new shares	6,075,593,800	-
Balance at end of the period	24,359,365,430	15,762,407,800
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning and end of period	20,021,645,532	11,333,074,693
Issuance of new shares	16,404,103,260	-
Share issuance costs	(105,716,411)	-
Balance at end of the period	36,320,032,381	
TREASURY SHARES		
Balance at beginning and end of period	(673,299,700)	(673,299,700)
RETAINED EARNINGS		
Balance at beginning of year	22,440,772,367	22,465,407,195
Total comprehensive income/Net income	3,269,912,140	2,439,662,796
Cash dividends	(2,764,844,093)	(2,172,831,566)
Balance at end of period	22,945,840,414	22,732,238,425
	₱82,951,938,525	₱49,154,421,218

AREIT, INC.**INTERIM STATEMENTS OF CASH FLOWS**

	2023 Unaudited January 1 to September 30	2022 Unaudited January 1 to September 30
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,270,672,722	₱2,439,725,455
Adjustments for:		
Net fair value change in investment properties	161,061,428	(23,921,250)
Depreciation and amortization	153,072	59,790
Interest expense	132,839,703	147,508,602
Interest income from finance lease receivables	(280,210,137)	(166,284,544)
Interest income	(46,803,516)	(20,901,823)
Operating income before working capital changes	3,237,713,272	2,376,186,230
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(344,490,363)	226,158,915
Other assets	(41,810,706)	(172,924,155)
Increase (decrease) in:		
Accounts and other payables	1,098,672,872	499,847,095
Deposits and other liabilities	745,988,978	33,325,027
Construction bonds	(15,744,292)	(5,393,968)
Cash generated from (used in) operations	4,680,329,761	2,957,199,144
Interest received	46,803,516	187,186,367
Interest paid	(70,135,046)	(75,465,726)
Income tax paid	(760,584)	(62,660)
Net cash flows provided by (used in) operating activities	4,656,237,647	3,068,857,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties	(1,457,457,000)	(219,500,000)
Payments for additions to investment properties	(22,803,337,108)	(92,534,005)
Net cash flows provided by (used in) investing activities	(24,260,794,108)	(312,034,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends	(2,764,844,093)	(2,172,831,566)
Proceeds from issuance of shares	22,479,697,060	—
Payment of share issuance cost	(105,716,411)	—
Availment (repayment) of loans	—	(450,000,000)
Payments of principal portion of lease liability	(6,549,870)	—
Net cash flows provided by (used) financing activities	19,602,586,686	(2,622,831,566)
NET INCREASE (DECREASE) IN CASH	(1,969,775)	133,991,554
CASH AT BEGINNING OF PERIOD	62,753,382	92,010,744
CASH AT END OF PERIOD	₱60,783,607	₱226,002,298

AREIT, INC.

NOTES TO INTERIM FINANCIAL STATEMENTS

1. 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 rising 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 amended its name to AREIT, Inc. on June 28, 2019.

As of December 31, 2022, the Company is publicly listed, 54.88%-owned by Ayala Land Inc. (ALI), 5.47%-owned by AyalaLand Offices, Inc. (ALOI), 2.13%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, 3.53%-owned by Glensworth Development, Inc. (GDI), a wholly owned subsidiary of ALOI, and the rest by the public. ALI's parent is Ayala Corporation (AC). AC is 47.91%-owned by Mermac, Inc., and the rest by the public. ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

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

The Company's common stock was listed on The Philippine Stock Exchange on August 13, 2020, as a Real Estate Investment Trust (REIT) entity.

As a REIT entity, the Company 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, provided they have complied with the requirements under Republic Act (RA) No. 9856 and Implementing Rules and Regulations (IRR) of RA No. 9856.

ALI handles the operational and administrative functions of the Company before its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. handle the company's fund manager and property management functions.

2. Basis of Financial Statement Preparation

The Company's financial statements have been prepared on a historical cost basis, except for investment properties which are measured at fair value and presented in Philippine Peso (P=), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying unaudited interim financial statements have been prepared under the going concern assumption. The Company believes that its businesses will remain relevant despite the challenges posed by the COVID-19 pandemic.

Statement of Compliance

The Company's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

On November 08, 2023 the Audit Committee approved and authorized the release of the accompanying unaudited interim financial statements of AREIT, Inc.

3. Summary of Significant Accounting Policies

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for adopting new standards effective in 2022. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

Adopting these new standards did not impact the company's financial statements unless otherwise indicated.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with reference to the Conceptual Framework for Financial Reporting, issued in March 2018, without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations, to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* or Philippine-IFRIC 21, *Levies* if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities from deducting the cost of an item of property, plant, and equipment or any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items and the costs of producing those items in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements based on the parent's date of transition to PFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment applies to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability substantially differ from those of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will significantly impact its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. Cash

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	P192,500	P72,500
Cash in banks	60,591,107	62,680,882
	P60,783,607	P62,753,382

Cash in banks earns interest from the respective bank deposit rates.

5. Receivables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Finance lease receivable	₱8,889,591,572	₱3,221,146,005
Due from related parties	3,094,237,067	1,095,318,852
Trade receivables – billed	695,168,352	647,588,205
Other receivables	758,863	1,990,659
	12,679,755,854	4,966,043,721
Less allowance for credit losses	79,411,460	60,404,901
	12,600,344,394	4,905,638,820
Less noncurrent portion of finance lease receivable	8,210,218,569	2,986,455,069
	₱4,390,125,825	₱1,919,183,751

Other receivables pertain to noninterest-bearing advances to contractors, which are subject to liquidation upon completion.

Billed receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common areas and utilities. These are noninterest-bearing and are generally collectible on a 30-day term.

As of September 30, 2023, the aging analysis of the Company's receivables presented per class is as follows:

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	₱8,889,591,572	₱–	₱–	₱–	₱–	₱–	₱8,889,591,572
Due from related parties	2,318,157,000	51,906,509	41,895,347	645,675,313	36,602,897	–	3,094,237,067
Trade receivables – billed	48,819,551	273,163,722	100,441,265	109,863,519	83,468,835	79,411,460	695,168,352
Total	₱11,256,568,123	₱325,070,231	₱142,336,612	₱755,538,832	₱120,071,732	₱79,411,460	₱12,678,996,991

The movements in allowance for credit losses are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	₱60,404,901	₱37,456,046
Additions	19,006,559	22,948,855
Balance at end of year	₱79,411,460	₱60,404,901

6. Other Assets

Other Current Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT	₱164,984,768	₱141,061,071
Prepaid expenses	129,820,060	–
Recoverable deposits	14,764,815	14,764,815
	₱309,569,643	₱155,825,886

Input VAT is applied against output VAT within 12 months. It includes input VAT claimed for a refund of ₱6.39 million, awaiting approval from the BIR.

Prepaid expenses pertain to payments of business and real property taxes, which are amortized over a year.

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT	₱1,143,758,665	₱1,044,601,418
Deferred input VAT	310,256,102	548,188,358
Creditable withholding taxes	239,691,442	168,644,360
Advances to contractors	3,301,083	278,907
	₱1,697,007,292	1,761,713,043
Less allowance for possible losses	102,127,500	72,000,000
	₱1,594,879,792	₱1,689,713,043

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.0 million per transaction. It is available for offset against the Company's future output VAT.

The remaining balance of input VAT and deferred input VAT is recoverable in future periods.

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and utilized as tax credits against income tax due. The Company recognized allowance for probable loss on CWT amounting to ₱30.13 million in 2023 and ₱39 million in 2022.

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

7. Investment Properties

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning of the period	₱60,871,459,005	₱50,081,060,761
Acquisitions and Improvements	17,190,111,285	11,334,580,967
Gain (loss) on fair value adjustment	(161,061,428)	(544,182,723)
End of the period	₱ 77,900,508,862	₱60,871,459,005

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

- eBloc 1- A twelve (12)-level, PEZA- accredited office development located in Cebu IT Park with a 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 a 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 a 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 a 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 a 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 a gross leasable area of 16,812.74 sq.m.

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

- Glorietta 1 and 2 Mall wings, a four (4)- storey commercial development with three 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 square meters (sq.m)
- Glorietta BPO 1 and BPO 2, a seven (7) storeys and eight (8) storeys Philippine Economic Zone Authority ("PEZA")-accredited office development and equipment located within Makati Commercial Center, San Lorenzo Village, Makati City, with gross leasable area of 18,770 sq.m and 21,256 sq.m, respectively.
- One Ayala East Tower, a twenty-three (23) level, PEZA- accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Brgy. San Lorenzo, Makati City, with gross leasable area of 30,999.07 sq.m.
- One Ayala West Tower, a eighteen (18)- level, PEZA-accredited office development and equipment, located along Ayala corner EDSA Avenues, Brgy. San Lorenzo, Makati City, with gross leasable area of 39,996.00 sq.m.
- 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.

As of December 31, 2022, the investment properties are composed of thirteen (13) stand-alone buildings, three (3) mixed-used properties, nine (9) condominium office units, and four (4) land parcels. The stand-alone buildings are Solaris One and McKinley Exchange, located in Makati City, Teleperformance Cebu, eBloc Towers 1-4, which are located at Cebu I.T. Park, Cebu City, ACC Tower, located in Ayala Center Cebu, Cebu Business Park, Tech Tower located along Sumilon corner Camiguin Roads and Cebu Evotech One and Two with two (2) office buildings situated in Laguna, Bacolod Capitol Corporate Center, and Ayala Northpoint Technohub in Bacolod City. The mixed-use properties are Ayala North Exchange, The 30th Commercial Development, and Vertis North Commercial Development. Ayala North Exchange is located along Ayala Avenue, Makati, composed of two office towers, a retail podium, and serviced apartments; The 30th Commercial Development features a 19-story office building complemented by a four-story retail podium; while Vertis North Commercial Development is a mixed-use development composed of three (3) office towers and a retail podium located in Quezon City. The condominium office units are BPI-Philam Life Makati, consisting of three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, and BPI-Philam Life Alabang, composed of six (6) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City. The four land parcels in Laguna Technopark are being leased to IMI.

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

The fair value of the Company's investment properties was determined using the Income Approach, 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 fair value is sensitive to the unobservable inputs of the lease income growth rate and discount rate. Significant increases (decreases) in the 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 is accompanied by a directionally similar change in the Company's fair value of investment properties.

8. Accounts and Other Payables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties	₱1,377,748,471	₱756,623,441
Accounts payable	429,794,365	89,098,143
Accrued expenses		
Light and water	110,040,079	41,848,381
Rent	-	24,956,211
Repairs and maintenance	53,878,445	14,040,220
Others	42,914,540	43,658,602
Taxes payable	146,624,126	90,768,937
Retention payable	2,196,834	3,188,012
Interest payable	556,583	898,625
	₱ 2,163,753,443	₱1,065,080,572

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

Accrued expenses include accruals for professional fees, postal and communication, supplies, transportation, travel, security, insurance, and representation. These accruals are noninterest-bearing.

Taxes payable consist of amounts payable to the taxing authority on expanded withholding taxes.

Retention payable pertains to the portion of the contractor's progress billings withheld by the Company 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 noninterest-bearing and are normally settled upon completion of the relevant contract.

9. Short-term Debt and Long-term Debt

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Short-term loan	₱300,000,000	₱300,000,000
Bonds due on 2023	3,000,000,000	3,000,000,000
	3,300,000,000	3,300,000,000
Less unamortized transaction cost	5,206,271	22,306,070
		3,277,693,930
Less current portion	3,294,793,729	3,277,693,930
	₱-	₱-

In 2023 and 2022, the Company availed short-term loans payable with different local banks amounting to ₱300.00 million, respectively, which pertains to unsecured and interest-bearing 30-day loans with

interest rates of 6.25% and 5.5%, respectively.

Philippine Peso 2-year bonds due 2023

On December 28, 2021, the Company issued P3.0 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. The Bonds represent the first tranche of debt securities issued under the Company's P15.0 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 the obligor's capacity to meet its financial commitment to the obligation is extremely strong.

The loan agreements contain the following restrictions: material changes in the 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. These restrictions and requirements were complied with by the Company as of September 30, 2023, and December 31, 2022.

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 fully completing the construction, renovation, or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounted to P82.84 million and P98.58 million as of September 30, 2023, and December 31, 2022, respectively.

11. Deposits and Other Liabilities

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Security deposits	P1,213,472,420	P1,044,320,392
Advance rentals	1,382,843,300	882,850,489
Deferred credits	134,833,061	57,988,921
	2,731,148,781	1,985,159,802
Less current portion	726,656,336	527,675,373
	P2,004,492,445	P1,457,484,429

The current portion of these accounts follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Security deposits	P258,056,936	P273,861,011
Advance rentals	381,197,644	235,450,965
Deferred credits	87,401,756	18,363,397
	P726,656,336	P527,675,373

Advance rentals

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

Security deposits

Security deposits represent deposits from lessees to secure faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three (3) months' rent and will be refunded to the lessee at the end of the lease term.

12. Equity

Capital stock

The details of the Company's capital stock as of September 30, 2023, and December 31, 2022, follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
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 shares are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized number of shares		
Balance at the beginning of year at ₱10 par value	2,950,000,000	2,950,000,000
Increase in authorized capital stock at ₱10 par value	1,100,000,000	–
Balance at end of year	4,050,000,000	2,950,000,000
Issued shares		
Balance at beginning of year	1,828,377,163	1,576,240,780
Issuance of new shares	607,559,380	252,136,383
Balance at end of year	2,435,936,543	1,828,377,163
Treasury shares		
Balance at beginning and end of year	(67,329,970)	(67,329,970)
Outstanding	2,368,606,573	1,761,047,193

On March 10, 2022, and April 21, 2022, the Company's BOD and its stockholders approved the issuance of 252,136,383 primary common shares of stock of the Company to ALI at an issue price of ₱44.65 per share in exchange for the identified properties. On December 29, 2022, the SEC approved the property-for-share swap transaction.

On March 07, 2023 and April 26, 2023, the Company's BOD and its stockholders 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 ₱37.00 per share in exchange for the identified properties. On September 20, 2023, the SEC approved the property-for-share swap transaction.

Additional Paid-in Capital (APIC)

In 2022, the Company recorded APIC amounting to ₱8,688.57 million, net of transaction costs. The Company incurred transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares amounting to ₱47.95 million in 2022.

In 2023, the Company recorded APIC amounting to ₱16,298 million, net of transaction costs. The Company incurred transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares amounting to ₱105.72 million in 2023.

Retained Earnings

On February 24, 2022, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2021, amounting to ₱0.47 per outstanding common share to stockholders on record as of March 11, 2022, amounting to ₱709.19 million. The cash dividend was paid on March 25, 2022, to stockholders.

On May 19, 2022, the Company's BOD approved the declaration of cash dividends for the first quarter of 2022, amounting to ₱0.48 per outstanding common share to stockholders on record as of June 02, 2022, amounting to ₱724.28 million. The cash dividend was paid on June 17, 2022, to stockholders.

On August 12, 2022, the Company's BOD approved the declaration of cash dividends for the second quarter of 2022, amounting to ₱0.49 per outstanding common share to stockholders on record as of August 26, 2022, amounting to ₱739.37 million. The cash dividend was paid on September 09, 2022, to stockholders.

On October 11, 2022, the Company's BOD approved the declaration of cash dividends for the third quarter of 2022, amounting to ₱0.49 per outstanding common share to stockholders on record as of October 25, 2022, amounting to ₱739.37 million. The cash dividend was paid on November 10, 2022, to stockholders.

On February 24, 2023, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2022, amounting to ₱0.52 per outstanding common share to stockholders on record as of March 10, 2023, amounting to ₱915.74 million. The cash dividend was paid on March 24, 2023, to stockholders.

On May 17, 2023, the Company's BOD approved the declaration of cash dividends for the first quarter of 2023, amounting to ₱0.52 per outstanding common share to stockholders on record as of May 31, 2023, amounting to ₱915.74 million. The cash dividend was paid on June 16, 2023, to stockholders.

On August 14, 2023, the Company's BOD approved the declaration of cash dividends for the second quarter of 2023, amounting to ₱0.53 per outstanding common share to stockholders on record as of August 30, 2023, amounting to ₱933.36 million. The cash dividend was paid on September 13, 2023, to stockholders.

Distributable Income

The computation of the distributable income of the Company as of September 30, 2023, is shown below:

	September 30, 2023
	(Unaudited)
Net income	₱3,269,912,140
Unrealized gains:	
Unrealized (gain)/loss on fair value change in investment properties	161,061,428
<u>Distributable Income</u>	<u>₱3,430,973,568</u>

Capital Management

The primary objectives of the Company's capital management policies are 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 considers its total equity as capital.

The Company's sources of capital as of September 30, 2023, and December 31, 2022, follow:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Paid-up capital	P24,359,365,430	P18,283,771,630
Additional paid- in capital	36,320,032,381	20,021,645,532
Treasury shares	(673,299,700)	(673,299,700)
Retained earnings	22,945,840,414	22,440,772,367
	P82,951,938,525	P60,072,889,829

13. Related Party Transactions

Parties are 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 related if they are subject to common control or common significant influence, including affiliates.

Terms and Conditions of Transactions with Related Parties

In its regular business conduct, the Company has entered into transactions with related parties consisting of advances and development, management, marketing and leasing, and administrative service agreements. These are based on terms agreed by the parties.

Outstanding balances at yearend are unsecured, noninterest-bearing, and settlement occurs in cash unless otherwise indicated. No guarantees have been provided or received for any related party receivables or payables.

The following tables provide the value and outstanding balances of transactions that have been entered into with related parties for the relevant financial year:

Related Party Category	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due from related parties		
Parent Company		
Ayala Land, Inc.	P 284,989,757	P 122,963,190
Affiliates*	11,691,947,569	4,193,157,381
Other related parties		
Bank of the Philippine Islands	3,242,126	-
BPI/MS Insurance Corporation	3,008,444	-
Globe Telecom, Inc.	640,742	344,286
	6,891,312	344,286
	P11,983,828,638	P4,316,464,857

*Entities under common control

Related Party Category	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to related parties		
Parent Company		
Ayala Land, Inc.	P383,554,745	P160,872,483
Affiliates*	985,648,218	583,358,992
Other related parties		
Manila Water Philippine Ventures, Inc.	5,368,798	3,729,107
Manila Water Company Inc	2,998,420	8,498,380
Globe Telecom, Inc.	110,959	110,082
Innove Communications	57,231	44,297
BPI Capital Corporation	10,100	10,100

	8,545,508	12,391,966
	₱1,377,748,471	₱756,623,441

**Entities under common control*

14. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, accounts and other payables and security deposits arising directly from its operations. The main risks arising from using financial instruments are liquidity and credit risks.

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 credit, interest rate, 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.

Before the Company's listing, ALI's financing and treasury function operated as a centralized service for managing financial risks and activities and 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.

Credit risk

Credit risk arises when a counterparty does 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. The Company maintains defined credit policies to manage credit risks and continuously monitors its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. Following 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 continuously 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 the trade receivables, all financial assets' maximum exposure to credit risk is equal to their carrying amounts.

Liquidity risk

The Company actively manages its liquidity position to meet all operating, investing, and financing needs. The Company's policy is to maintain a sufficient cash level 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 on time and at a reasonable cost. It ensures the availability of ample unused credit facilities as backup liquidity.

The Company's cash is maintained at a level that will enable it to fund its operations and have additional funds as a 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 of September 30, 2023, is ₱ 20.00 billion. The Company may also refinance its short-term and long-term loans and manage payment terms for its payables.

15. Fair Value Hierarchy

Fair Value Information

Except for the Company's security deposits and long-term debt, which are disclosed below, the carrying values of the other financial instruments of the Company approximate their fair values due to the short-term nature of the transactions.

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying value	Fair value	Carrying value	Fair value
Security deposits	₱1,213,472,420	₱1,213,472,420	1,044,320,392	958,142,795

As of September 30, 2023, and December 31, 2022, the Company has no financial instrument measured at fair value. In 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The fair value of the Company's security deposits is categorized under Level 3 in the fair value hierarchy.

16. Notes to Interim Statements of Cash Flow

The Company's noncash operating and investing activities are as follows:

Operating

- Interest income from finance lease amounting to ₱280.21 million and ₱166.28 million for nine months ended September 30, 2023, and 2022.

Investing

- Addition in investment properties amounting to ₱22,479.70 million and ₱11,257.89 million related to the property-for-share swap agreement in 2023 and 2022, respectively.

17. 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 four parcels of land, nine condominium office units, and thirteen-building lease operations are its only income-generating activity, and such is the measure the management uses in allocating resources.

18. Seasonality of Operations

There were no operations subject to seasonality or cyclicity except for the Company's retail operations. The Company generates a relatively stable stream of revenues throughout the year, with

higher sales experiences from shopping centers in the fourth quarter of every year due to holiday spending. This information is provided to better understand the results; however, management has concluded that this is not 'highly seasonal' under PAS 34.

19. Events After Financial Reporting Date

None

Item 2. Management's Discussion and Analysis on the Results of Operation and Financial Condition

Review of 9M 2023 operations vs 9M 2022

The Company's net income before the net fair value change in investment properties increased by 42% from ₱2,415.80 million in 2022 and ₱3,431.73 million in 2023. The increase was mainly due to income from stable operations and the contribution of additional properties acquired in the fourth quarter of 2022 and third quarter of 2023. The Company's net income after tax increased by 34% from ₱2,439.66 million in 2022 to ₱3,269.91 million in 2023.

Revenues

Total revenues increased by 41% from ₱3,555.38 million in 2022 to ₱5,003.44 million in 2023. This growth was mainly driven by higher rental income and dues.

Rental Income increased by 44% from ₱2,639.21 million in 2022 to ₱3,799.28 million in 2023. The increase was primarily attributable to the addition of the Cebu properties, namely, Ebloc Towers 1 to 4, ACC Tower, and Tech Tower, in October 2022 and One Ayala West & East Towers, Glorietta 1 and 2 BPO and Mall wing and Marquee mall in July 2023.

Dues increased by 23% from ₱749.89 million in 2022 to ₱923.95 million in 2023. The increase was attributable to the operations of new assets acquired effective October 2022 and July 2023.

Interest income from finance leases amounted to ₱166.28 million in 2022 and ₱280.21 million in 2023, attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019, long-term leases of North Eastern Commercial Corp with the Company, for The30th Mall which begun on January 1, 2021, and October 1, 2021, for Vertis Mall and long-term leases of AyalaLand Malls, Inc. and Northbeacon Commercial Corporation with the Company, for Glorietta 1 and 2 mall wing and Marquee mall commenced on July 1, 2023.

Net Fair Value Change in Investment Property

In 2023, the Company recognized a reduction in fair value in investment properties of (₱161.06 million) and an increase of ₱23.92 million in 2022.

Cost and Expenses

Direct operating expenses increased by 47% from ₱955.14 million in 2022 to ₱1,403.69 million in 2023. The increase was primarily due to higher building utilization and expenses from the operations of additional properties acquired in October 2022 and July 2023.

General and administrative expenses decreased by 24% from ₱50.72 million in 2022 to ₱62.79 million in 2023, mainly due to higher provision for doubtful accounts.

Other Income (charges)

Interest Income increased by 124% from ₱20.90 million in 2022 to ₱46.80 million in 2023. The increase was mainly due to the increase in interest income from intercompany loans.

Interest expense decreased by 3% from ₱158.56 million in 2022 to ₱153.41 million in 2023. The decrease was due to a decrease in interest expense on short-term debt.

Other charges amounted to ₱15.97 million in 2023, which pertains mainly to amortization of bond issue cost.

Provision for Income Tax

Income tax provision increased from ₱62,659 in 2022 to ₱760,583 million in 2023 due to the final tax on interest income from banks.

Capital Expenditure

The Company has no material commitments for capital expenditures.

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

Balance Sheet items- September 30, 2023, versus December 31, 2022

Receivables current portion increased by 129%, primarily due to the contribution of new properties acquired in October 2022 and July 2023.

Other current assets increased by 99%, mainly due to higher prepaid expenses on payments of business and real property taxes, which are being amortized for the year.

Receivables noncurrent portion increased by 175%, mainly due to additional finance lease receivable recognized in Q3 2023, for the long-term leases with ALMI and NBCC for Glorietta 1 & 2 mall wings and Marquee mall.

Investment properties increased by 28%, due to acquisition of new assets effective July 2023.

Property and equipment increased by 88%, mainly due to additional office equipment, furniture, and fixtures.

Other noncurrent assets decreased by 6%, mainly due to additional provision for creditable withholding tax and amortization of deferred input VAT.

Accounts and other payables increased by 103%, in line with the increase in operations due to additional properties.

Deposits and other liabilities- current, increased by 38% due to higher advance rental collection.

Construction bonds decreased by 16% due to refunds to tenants for bonds collected to be used as a guarantee against damages to properties resulting from construction, renovation, or improvements.

Deposits and other liabilities- noncurrent, increased by 38%, mainly due additional deposits and advance rent from newly acquired assets.

The lease liability noncurrent portion increased by 5% due to lease liability for the period and timing of the lease payment. The rent is payable at a fixed monthly rate, subject to an annual escalation rate.

Paid-up capital and additional paid-in capital increased by 33% and 81%, respectively, due to issuance of new shares in exchange for properties.

Financial Condition

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

As of September 30, 2023, total current assets, including cash, current portion of receivable, input VAT, prepaid expenses, and recoverable deposits, stood at ₱4,760.48 million, resulting in a current ratio of 0.75:1.

As of September 30, 2023, total debt registered at P3.29 billion, translating to a debt-to-equity ratio of 0.04:1 and a net debt-to-equity ratio of 0.04:1.

Return on equity is at 7% as of September 30, 2023.

Key Financial Ratios	2023	2022
Current Ratio ⁽¹⁾	0.75	0.43
Debt to Equity ⁽²⁾	0.04	0.05
Profitability Ratios		
Return on Asset ⁽³⁾	5%	5%
Return on Equity ⁽⁴⁾	6%	5%
Asset to Equity Ratio ⁽⁵⁾	1.11	1.13

⁽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

- The Company's fixed-rate bond will expire on December 28, 2023. We plan to refinance through either another bond offering from its shelf registration or the availment of a bank loan.
- 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.

Property Performance as of Sept 30 2023

Property	Location	Valuation Date	Valuation cost ² (in Pesos, millions)	Total gross leasable area (GLA) (in sq.m)	Occupied GLA (in sq.m)	Occupancy rate	Remaining Land lease term	Rental Income (in Pesos, millions)	Gross Revenues (in Pesos, millions)
Solaris	Makati	Dec 2022	7,328	46,768	45,740	98%	25	426	551
Ayala North Exchange ¹	Makati	Dec 2022	11,428	95,314	85,530	90%	35	570	678
MECC	Makati	Dec 2022	1,965	10,688	10,117	95%	31	97	119
TP Cebu	Cebu	Dec 2022	2,008	18,093	18,093	100%	28	125	158
The 30th ¹	Pasig	Dec 2022	5,206	74,704	70,033	94%	33	307	397
Laguna Technopark Land	Laguna	Sept 2022	1,126	98,179	98,179	100%	n/a	61	61
Vertis ¹	Quezon City	Dec 2022	17,249	164,450	163,492	99%	34	906	1,110
BPI- Philam Makati	Makati	Dec 2022	125	1,072	-	0%	n/a	-	(1)
BPI- Philam Alabang	Muntinlupa	Dec 2022	70	551	551	100%	n/a	4	6
Bacolod Capitol	Negros Occidental	Dec 2022	802	11,313	11,313	100%	39	51	67
Ayala Northpoint	Negros Occidental	Dec 2022	227	4,654	4,654	100%	35	19	24
Evotech	Laguna	Dec 2022	2,790	23,727	23,727	100%	35	141	220
eBloc Towers 1 to 4	Cebu	Dec 2022	8,365	79,640	78,499	99%	35	479	648
ACC Tower	Cebu	Dec 2022	1,913	27,458	26,365	96%	35	156	156
Tech Tower	Cebu	Dec 2022	1,207	16,273	12,852	79%	35	67	76
One Ayala West and East Towers ²	Makati		6,356	70,995	69,575	98%	41	259	290
Glorietta 1&2 BPOs and Mall ²	Makati		14,075	76,106	75,681	99%	36	129	233
Marque Mall	Pampanga		2,049	40,544	40,544	100%	36		

⁽¹⁾ 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

⁽²⁾ Valuation based on latest appraisal reports using Income approach except for 1) Laguna Technopark land which was based on Market approach and 2) One Ayala West and East Towers, Glorietta 1&2 BPOs and Mall and Marque Mall which is based on latest Transaction Value

PART II- OTHER INFORMATION

Item 3. Developments as of September 30, 2023

- | | | |
|--|--|---------------------------|
| A. New project or investments in another line of business or corporation | None | |
| B. Composition of Board of Directors
(as of April 26, 2023) | Anna Ma. Margarita B. Dy | Chairman |
| | Carol T. Mills | President & CEO |
| | Bernard Vincent O. Dy | Non-Executive Director |
| | Augusto D. Bengzon | Non-Executive Director |
| | Mariana Zobel de Ayala | Non-Executive Director |
| | Omar T. Cruz | Lead Independent Director |
| | Enrico S. Cruz | Independent Director |
| | Sherisa P. Nuesa | Independent Director |
| C. Performance of the corporation or result/progress of operations | Please see the unaudited financial statements and management's discussion on the results of operations. | |
| D. Declaration of dividends | <p>₱0.52 cash dividend per outstanding common share
 Declaration date: February 24, 2023
 Record date: March 10, 2023
 Payment date: March 24, 2023</p> <p>₱0.52 cash dividend per outstanding common share
 Declaration date: May 17, 2023
 Record date: May 31, 2023
 Payment date: June 16, 2023</p> <p>₱0.53 cash dividend per outstanding common share
 Declaration date: August 17, 2023
 Record date: August 30, 2023
 Payment date: September 13, 2023</p> | |
| E. Contracts of merger, consolidation, or joint venture; contract of management, licensing, marketing, distributorship, technical assistance, or similar agreements | None | |
| F. Offering of rights, granting of Stock Options, and corresponding plans, therefore | None | |
| G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate | None | |

- | | |
|--|------|
| H. Other information, material events, or happenings that may have affected or may affect the market price of the security | None |
| I. Transferring of assets, except in the normal course of business | None |

Item 4. Other Notes to 1H 2023 Operations and Financials

- | | |
|---|---|
| J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents | Please see Item 2: Management's Discussion on Results of Operations and Analysis. |
| K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period | Please see page 26: Causes for any material changes (+/- 5% or more) in the financial statements |
| L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities | None |
| M. Material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period | None |
| N. The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations | None |
| O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date | None |
| P. Other material events or transactions during the interim period | <p>20 September 2023 AREIT, Inc. (AREIT), the pioneer REIT in the Philippines, has obtained the Securities and Exchange Commission's (SEC) approval of Ayala Land, Inc. (ALI), Ayalaland Malls, Inc. (ALMI), and Northbeacon Commercial Corporation's (NBCC) (ALMI and NBCC are referred to as Subsidiaries) subscription to 607,559,380 AREIT shares in exchange for identified four (4) prime office buildings located in Ayala Commercial Center in Makati City and two (2) regional flagship malls located in Makati City and Angeles City with a total value of Php22,479,697,060.00, pursuant to</p> |

the Deed of Exchange dated 02 June 2023. The new assets are expected to contribute to earnings of the company beginning in the 3Q of 2023.

Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation	None
R. 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	None
S. Material commitments for capital expenditures, general-purpose and expected sources of funds	None
T. Known trends, events, or uncertainties that have had or that are reasonably expected to have an impact on sales/revenues/ income from continuing operations	AREIT's performance will depend on the state of the Philippine Office Sector.
U. Significant elements of income or loss that did not arise from continuing operations	None
V. Causes for any material change/s from period to period, in one, or more line items of the financial statements	Please see Notes to Financial Statements (Item 2: Management's Discussion on Results of Operations and Analysis).
W. Seasonal aspects that had a material effect on the financial condition or results of operations	None
X. Disclosures not made under SEC Form 17-C	None.

Item 5. Performance Indicators

The table below shows AREIT's performance indicators:

	End-September 2023 (Unaudited)	End-December 2022 (Audited)
Current ratio ¹	0.75:1	0.43:1
Debt-to-equity ratio ²	0.04:1	0.05:1
Net debt-to-equity ratio ³	0.04:1	0.05:1
Profitability Ratios:		
Return on Assets ⁴	5%	5%
Return on Equity ⁵	6%	5%
Asset to Equity Ratio ⁶	1.11:1	1.13:1

Notes:

- (1) The current ratio is derived by dividing current assets by current liabilities at the end of a given period. The current ratio measures our ability to pay short-term obligations.*
- (2) The debt-to-equity ratio is derived by dividing our total loans and borrowings by total equity. The debt-to-equity ratio measures the degree of our financial leverage.*
- (3) The net debt to equity ratio is derived by dividing our total loans and borrowings less cash by total equity.*
- (4) Return on assets is derived by annualized net income by total assets*
- (5) Return on equity is derived by dividing annualized net income by average shareholders' equity. Return on equity measures how profitable we are at generating profit from each unit of shareholder equity.*
- (6) The asset-to-equity ratio is derived by dividing total assets by shareholders' equity. The asset-to-equity ratio measures our financial leverage and long-term solvency.*

SIGNATURE

Pursuant to the Securities Regulation Code requirements, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **AREIT, INC.**

By:

A handwritten signature in black ink, appearing to read 'mfamy', is written over the printed name.

MA. TERESA R. FAMY
Treasurer and Chief Finance Officer

Date: November 14, 2023

October 10, 2023

THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
6th 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. Famy
AREIT, Inc.
Chief Finance and Compliance Officer

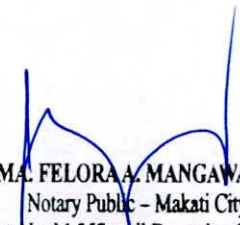
SUBSCRIBED AND SWORN to before me this OCT 10 2023 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
Represented by:		
Augusto D. Bengzon	Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
Represented by:		
Ma. Teresa R. Famy	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
Appt. No. M-257 until December 31, 2023
Roll of Attorneys No. 64804
Lifetime IBP 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

Project Name	Disbursing Entity	Amount (in PHP)
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
TOTAL		903,557,843



Agreed-Upon Procedures Report

To the Management of
Ayala Land, Inc.
31st 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

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 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.

A handwritten signature in black ink, appearing to read "Ruth F. Blasco", written over the printed name.

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


Distributing Entity	Project Name	Amount (in Php)
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
		903,557,843

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 10th 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