Disclaimer:

The contents of this REIT Plan relate to a purely Philippine domestic offer, and thus, is open only to residents of the Philippines. Please ensure that you are a resident of the Philippines before accessing the REIT Plan.

You hereby certify:

- You are a resident of the Philippines, or a corporation, association, partnership or other juridical entity, or fund organized and existing under Philippine law and/or licensed to do business in the Philippines.
- You are not a U.S. Person as defined in Regulation S of the Securities Act, or acting for the account of such U.S. Person.
- You are not located in the United States.
- You will not transmit or otherwise send any information contained in the attached document to any person in the United States or to publications with a general circulation in the United States.
- You intend to acquire any of the Offer Shares offered in the Philippines.

A REGISTRATION STATEMENT RELATING TO THE OFFER SHARES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, BUT HAS NOT YET BECOME EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS COMMUNICATION SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

The offering information on this website is intended to be available only to persons residing outside of the United States, including corporations or judicial entities organized and existing under the laws of the United States. Any forwarding, distribution, publication, or reproduction of any information herein or any use of such information in whole or in part or disclosure of any such information for any other purpose is unauthorized. Failure to comply with this directive may result in a violation of the securities laws of applicable jurisdictions. Nothing in this website constitutes an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where it is unlawful to do so. The information contained in this web site may not be published or distributed, directly or indirectly, into the United States or to U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act")). This information (including the draft preliminary REIT Plan, the preliminary REIT Plan, and the final REIT Plan) does not constitute an offer of Offer Shares for sale in the United States or to, or for the account or benefit of, U.S. persons. The Offer Shares described in the draft preliminary REIT Plan, the preliminary REIT Plan and the final REIT Plan have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold or delivered, directly or indirectly, into the United States or to, or for the account or benefit of, U.S. persons unless the Offer Shares are so registered or an exemption from the registration requirements is available. There will be no offer of the Offer Shares mentioned herein in the United States.

THIS DRAFT PRELIMINARY REIT PLAN IS TO BE USED EXCLUSIVELY FOR THE DOMESTIC OFFER AND IS NOT INTENDED TO BE VIEWED BY NON-PHILIPPINE RESIDENTS.

The draft preliminary REIT Plan on this website is only a draft and should not be relied upon for any investment purposes. None of the issuer, the underwriters, nor any other parties named in the draft preliminary REIT Plan accept any liability or responsibility for any misstatements or omissions in the draft REIT Plan, the preliminary REIT Plan and the final REIT Plan nor have any of them authorized anyone to give any information or to make any representation in connection with the Offer Shares and, if given or made, such information or representation must not be relied upon as having been authorized by the issuer or the underwriters or any of their respective affiliates or advisers. Neither the delivery of this draft preliminary REIT Plan nor any offer made on the basis hereof shall, under any circumstances, create any implication that the information herein is correct or complete. Neither the issuer nor the underwriters make any representation or warranty, express or implied, as to the accuracy or completeness of such information, and you should not rely on anything contained in this draft preliminary REIT Plan as a promise or representation by the issuer or the underwriters.

AREIT, Inc.

(Incorporated in the Republic of the Philippines)

Primary Offer of 47,864,000 Common Shares
Secondary Offer of 409,019,000 Common Shares
With an Over-allocation Option of up to 45,688,700 Common Shares
Offer Price of ₱27.00 per Offer Share

To be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

Sole Global Coordinator

BPI Capital Corporation

Joint Bookrunners

BPI Capital Corporation

UBS

Joint Lead Underwriters

BPI Capital Corporation

PNB Capital

SB CAPITAL
A Subsidiary of Security Bank

The date of this REIT Plan is July 24, 2020

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS REIT PLAN IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.

AREIT, Inc.
28th Floor, Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City
+632 7908 3804
www.areit.com.ph

This REIT Plan relates to the offer and sale of 456,883,000 common shares (the "**Firm Offer**,"and such shares, the "**Firm Shares**"), with a par value of ₱10 per share (the "**Shares**"), of AREIT, Inc., a corporation organized and existing under Philippine law ("**AREIT**" or the "**Company**") and operating as a real estate company, and upon compliance with the requirements of Republic Act No. 9856, The Real Estate Investment Trust Act of 2009 and its Implementing Rules and Regulations (the "**REIT Law**"), shall operate as a real estate investment trust ("**REIT**").

Our Company is a real estate investment trust formed primarily to own and invest in income-producing commercial portfolio of office, retail, and hotel properties in the Philippines, that meets our Company's investment criteria. Primarily, AREIT will be the commercial REIT platform for Ayala Land. However, our Sponsor may create a new REIT which may or may not primarily be a commercial REIT similar to our Company. See discussion on "Risk Factors – There may be direct competition between our Company and our Sponsor". As a commercial REIT, AREIT will focus on expanding its office, mall, and hotel properties. However, if the opportunity arises, AREIT may also explore other types of real estate properties available in the market. AREIT offers Shareholders an investment opportunity with a stable yield, opportunities for Gross Revenue and Net Operating Income growth, high-quality properties with strong tenant demand, strong Sponsor support from Ayala Land, experienced management with incentive to grow our Company's Gross Revenue and Net Operating Income, and distribution of at least 90% of our Company's Distributable Income.

The Firm Shares will comprise (i) 47,864,000 new common shares to be issued and offered by the Company on a primary basis (the "**Primary Offer**" and such shares, the "**Primary Offer Shares**") and (ii) 409,019,000 existing common shares offered by the Selling Shareholder (as defined below) pursuant to a secondary offer (the "**Secondary Offer**" and such shares, the "**Secondary Offer Shares**"). An application will be made for the listing of the Offer Shares (as defined below), together with the rest of the Shares of our Company, on the Main Board of The Philippine Stock Exchange, Inc. (the "**PSE**"). The Offer Shares will be listed and traded on the Main Board of the PSE under the trading symbol "AREIT".

The Firm Shares will be offered at a price of ₱27.00 per Firm Share (the "**Offer Price**"). The determination of the Offer Price is further discussed in the section entitled "Determination of the Offer Price" in this REIT Plan and is based on a bookbuilding process and discussions by and among our Company, BPI Capital Corporation (the "**Sole Global Coordinator**,"and "**Joint Bookrunner**"),[1] PNB Capital and Investment Corporation, SB Capital Investment Corporation and UBS AG Singapore Branch (BPI Capital Corporation and UBS AG Singapore Branch are referred to collectively as the "Joint Bookrunners" and UBS AG Singapore Branch (acting as the sole international bookrunner) is referred to as the "**International Joint Bookrunner**"; and BPI Capital Corporation, PNB Capital and Investment Corporation and SB Capital Investment Corporation are singly referred to as "**Joint Lead Underwriter**" and collectively, as the "**Joint Lead Underwriters**"). A total of 1,025,656,435 Shares will be outstanding after the Firm Offer.

Subject to the approval of the Securities and Exchange Commission (the "**SEC**"), Ayala Land, Inc. (the "**Selling Shareholder**") and our Company have granted BPI Capital Corporation in its role as stabilizing agent (the "**Stabilizing Agent**"), an option exercisable in whole or in part from and including the date of listing and when trading of the Shares commences on the PSE (the "**Listing Date**") and ending 30 calendar days from and including the Listing Date to purchase up to 45,688,700 additional Shares at the Offer Price (the "**Optional Shares**"), on the same terms and conditions as the Firm Shares as set forth in this REIT Plan, solely to cover over-allocations, if any (the "**Over-allocation Option**"). The Over-allocation Option, to the extent not fully exercised by the Stabilizing Agent, shall be deemed cancelled and the relevant Optional Shares shall be re-delivered to the Selling Shareholder. The Firm Shares and the Optional Shares

[1] BPI Capital Corporation and AREIT, Inc. are affiliates which are ultimately owned by Ayala Corporation. BPI Capital Corporation is 100% owned by the Bank of the Philippine Islands, which is 22.96% owned by Ayala Corporation. Pre-listing, AREIT, Inc. is 90.15% and 9.85% owned by Ayala Land, Inc., and AyalaLand Offices, Inc., respectively. AyalaLand Offices, Inc. is 100% owned by Ayala Land, Inc. Ayala Land, Inc. is 44.48% owned by Ayala Corporation.

are referred to as the "**Offer Shares**,"and the offer of the Offer Shares is referred to as the "**Offer**."The Optional Shares will be sold as part of the Institutional Offer (as defined below). The Offer Shares will represent approximately 49% of the issued and outstanding capital stock of our Company after completion of the Offer, assuming the full exercise of the Over-allocation Option. Please see the section entitled "Plan of Distribution" in this REIT Plan.

Our Sponsor, Ayala Land, Inc., is a public corporation organized under the laws of the Philippines. Our Sponsor is one of the leading and most diversified real estate conglomerates in the Philippines, and is engaged in the planning and development of large-scale residential lots and buildings, office buildings, and commercial and industrial lots. In addition to being a leading player in the Philippines' commercial leasing industry with significant commercial and office spaces in its portfolio, our Sponsor is also engaged in property management, construction, and other real-estate adjacent businesses like retail. As such, our Company benefits from our Sponsor's brand, well-established reputation, relationships with key players in the Philippine real estate industry, understanding of the Philippine real estate market, and deep experience in developing and managing properties very similar to our Properties. As of the date of this REIT Plan, 44.48% of Ayala Land's common shares are held by Ayala Corporation, 54.64% are held publicly, and 22.96% are held by foreign owners.

Our Fund Manager, AREIT Fund Managers, Inc. is a corporation, organized under the laws of the Philippines. Formerly named AyalaLand Commercial REIT, Inc., our Fund Manager changed its name to AREIT Fund Managers, Inc. on February 27, 2020. Its registered office is at 32nd Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, the Philippines. Our Fund Manager is a wholly-owned Subsidiary of our Sponsor. Our Fund Manager has general power of management over the assets of our Company, pursuant to the Fund Management Agreement. Our Fund Manager's main responsibilities are to implement our Company's investment strategies and manage our Company's assets and liabilities for the benefit of our Shareholders. Our Fund Manager will manage the assets of our Company with a focus on generating steady Rental Income and, if appropriate, increasing our Company's assets over time so as to enhance the returns from the investments of our Company and, ultimately, the distributions to our Shareholders. For a more detailed discussion on our Company's strategy, see the sections entitled "Business and Properties – Business Strategies" and "Certain Agreements Relating to our Company and the Properties – Fund Management Agreement" in this REIT Plan.

Our Property Manager, AREIT Property Managers, Inc., is a corporation, organized under the laws of the Philippines. Formerly named Next Urban Alliance Development, Corp., our Property Manager changed its name on April 16, 2019. Its registered office is at 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines. Our Property Manager is a wholly-owned Subsidiary of our Sponsor. Our Property Manager will perform the day-to-day property management functions of the Properties pursuant to the Property Management Agreement, in accordance with this REIT Plan, and our Company's investment strategies. See the section entitled "Certain Agreements Relating to our Company and the Properties – Property Management Agreement" in this REIT Plan. These functions include managing the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the Properties. In addition, our Property Manager will oversee the overall management of, maintenance and repair of the structure and utilities of the Properties; formulation and implementation of policies and programs in respect of building management; maintenance and improvement; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee building management operations.

Our Company has an authorized capital stock of ₱11,740,000,000.00 divided into 1,174,000,000 common shares with a par value of ₱10.00 per Share, of which 977,792,435 Shares are issued and outstanding, as of the date of this REIT Plan.

As of date of this REIT Plan, the Company's property portfolio consists of three commercial buildings in Metro Manila, Philippines that meet our investment criteria. The land on which these respective buildings are built do not form part of the Company's asset portfolio and is not owned by the Company.

- ***Solaris One***, a 24-storey Grade A, PEZA-accredited commercial building owned by our Company and previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sq.m. of Gross Leasable Area, and 73,322 sq.m. of gross floor area, and is located at 130

Dela Rosa Street, Legaspi Village, Makati City, the Philippines. The land on which Solaris One stands is owned by our Sponsor, Ayala Land;

- ***Ayala North Exchange***, a Grade A, mixed-use development owned by our Company, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of a 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The Gross Leasable Area of Ayala North Exchange is 95,300.35 sq.m. and its gross floor area is 120,154 sq.m. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines. The land on which Ayala North Exchange stands is owned by HLC Development Corp., a wholly-owned Subsidiary of our Sponsor; and

- ***McKinley Exchange***, a 5-storey Grade A, PEZA-accredited mixed-use development owned by our Sponsor, which began operations in 2015, with a Gross Leasable Area of 10,687.50 sq.m., 9,633.32 sq.m. of which is designated for commercial office leasing, and with a gross floor area of 14,598.40 sq.m., on a plot of land with an area of 4,513 sq.m., located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, our Company entered into a Contract of Lease with our Sponsor for the lease of the office and retail building commencing on February 1, 2020 and ending on December 31, 2054, and initial monthly rent of 2,733,078, subject to annual escalation at the rate of 5%. Ownership of land on which McKinley Exchange stands remains with our Sponsor, Ayala Land.

	Solaris One	**Ayala North Exchange**	**McKinley Exchange**
Year Completed	2008	2019	2014
Description	Grade A, PEZA-accredited 24-storey commercial building	Grade A, PEZA-accredited, mixed-use development	Grade A, PEZA-accredited, mixed-used development
Location	130 Dela Rosa, Legaspi Village, Makati City	6796 Ayala Avenue corner Salcedo, Legaspi Village, Makati City	McKinley Road corner EDSA, Makati City
GLA	46,767.95 sq.m.	95,300.35 sq.m.	10,687.50 sq.m.
Occupancy Rate	100.0% as of March 31, 2020	100.0% as of Mar. 31, 2020	98.4% as of Mar. 31, 2020
Right over Building	Owned	Owned	Leased
Right over Land	Leased	Leased	Leased
Land Lease Expiry	2048	2058	2054

	Solaris One	Ayala North Exchange	McKinley Exchange
Key Tenants	• Shell Shared Services • ANZ Global Services and Operations	• Makati North Hotel Ventures, Inc. • Concentrix CVG Philippines, Inc. • Oracle Netsuite (Philippines), Inc.	• TELUS International Philippines

The total proceeds to be raised by our Company from the sale of the Firm Shares will be approximately ₱1,292 million. The net proceeds to be raised by our Company from the sale of the Firm Shares (after deduction of estimated fees and expenses) will be approximately ₱1,188.5 million. Our Company intends to use the net proceeds from the Primary Offer to fund our Company's intended acquisition of the mixed-use development of Teleperformance Cebu located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City ("**Teleperformance Cebu**") from ALO Prime Realty Corporation ("**APRC**"), a wholly-owned subsidiary of our Sponsor, Ayala Land Inc., or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria. For a more detailed discussion of our Company's proposed use of proceeds, see the section entitled "Use of Proceeds" in this REIT Plan. The Selling Shareholder will receive net proceeds of approximately ₱11,958 million from the sale of the Secondary Shares and the Optional Shares, assuming full exercise of the Over-allocation Option (after deducting fees and expenses payable by the Selling Shareholder), while our Company will not receive any of such proceeds. For a more detailed discussion on the use of net proceeds by the Selling Shareholder, see Annex 1 "Reinvestment Plan" of this REIT Plan.

The Joint Lead Underwriters will receive a transaction fee from our Company based on a percentage of the gross proceeds from the sale of the Offer Shares, as discussed in the section entitled "Plan of Distribution" in this REIT Plan. This transaction fee is inclusive of the amounts to be paid to other participating underwriters and selling agents such as Eligible PSE Trading Participants (as defined below), where applicable. Any Firm Shares left unsubscribed after the Offer Period will be underwritten, on a firm commitment basis, by the Joint Lead Underwriters The estimated underwriting, selling agent, and other professional fees amount to approximately ₱304 million, assuming full exercise of the Over-allocation Option. For a more detailed discussion on the fees to be received by the Joint Lead Underwriters, please see the section entitled "Plan of Distribution" in this REIT Plan.

The 319,818,100 Firm Shares (or approximately 70% of the Firm Shares) (the "**Institutional Offer Shares**") are being offered for sale (i) outside the United States by the International Joint Bookrunner in offshore transactions in reliance on Regulation S under the Securities Act, and (ii) to domestic qualified institutional buyers and other domestic institutional investors (the "**Domestic QIBs**") in the Philippines by the Joint Lead Underwriters (the "**Institutional Offer**").

137,064,900 Firm Shares (or approximately 30% of the Firm Shares) (the "**Trading Participants and Retail Offer Shares**") are being offered to all of the REIT eligible trading participants of the PSE (the "**Eligible PSE Trading Participants**") and to local small investors (the "**LSIs**") under the Local Small Investors Program (the "**Trading Participants and Retail Offer**"). The amount of Offer Shares to be made available to the Eligible PSE Trading Participants and LSIs will be 91,376,600 and 45,688,300 Firm Shares, or approximately 20% and 10%, respectively, of the Firm Shares subject to final allocation, which shall be consistent with the applicable rules, as may be determined by the Sole Global Coordinator as Joint Bookrunner.

The Institutional Offer and Trading Participants and Retail Offer are being made in reliance on Regulation S of the United States Securities Act of 1933, as amended (the "**Securities Act**").

The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as may be determined by the Joint Lead Underwriters and Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Firm Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. Unless otherwise agreed by the Joint Lead Underwriters and Joint Bookrunners, the reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer. The Optional Shares may be allocated among the Joint Lead Underwriters and Joint Bookrunners pursuant to a separate agreement among them.

Each holder of Shares will be entitled to such dividends as set forth under the REIT Law. The REIT Law requires a REIT to distribute annually a total of at least 90% of its net income as adjusted for unrealized gains and losses/expenses and impairment losses, and other items in accordance with internationally accepted accounting standards (excluding proceeds from the sale of the REIT's assets that are re-invested by the REIT within one year from the date of the sale) as dividends to its shareholders. The percentage of dividends with respect to any class of stock to be received by the Public Shareholders to the total dividends distributed by the Company from its distributable income shall not be less than such percentage of their aggregate ownership of the total outstanding shares of the Company. Such dividends shall be payable only from the unrestricted retained earnings of the Company, and the income distributable as dividends by the Company shall be based on the audited financial statements for the recently completed fiscal year prior to the prescribed distribution. A REIT may declare either cash, property, or stock dividends. However, the declaration of stock dividends must be approved by at least a majority of the entire membership of our Board, including the unanimous vote of all our independent Directors, and stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular meeting or special meeting called for that purpose. Any such stock dividend declaration is also subject to the approval of the SEC within five (5) working days from receipt of the request for approval. If the SEC does not act on said request within such period, the declaration shall be deemed approved. Please see a more detailed discussion of our Company's dividend obligations under the section entitled "Dividends and Dividend Policy" in this REIT Plan.

All of the Shares issued and to be issued pursuant to the Offer have, or will have, identical rights and privileges. The Shares may be owned by any person or entity regardless of citizenship or nationality, subject to minimum public ownership requirements of the REIT Law and to the nationality limits under Philippine law. The constitution of the Philippines and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. For more information relating to restrictions on ownerships of the Shares, please see the sections entitled "Risk Factors,""Business and Properties,"and "Regulatory and Environmental Matters – Nationality Restriction" in this REIT Plan.

On February 7, 2020, our Company filed a Registration Statement covering the Shares with the SEC, in accordance with the provisions of the Securities Regulation Code ("**SRC**"), and the REIT Law.

The listing of the Offer Shares is subject to the approval of the PSE. An application to list the Offer Shares as well as the rest of the Shares was approved on July 15, 2020 by the board of directors of the PSE, subject to fulfillment of certain listing conditions by our Company. However, such an approval for listing is permissive only and does not constitute a recommendation or endorsement by the PSE or the SEC of the Shares. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this REIT Plan. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this REIT Plan.

The Offer Shares are offered subject to the receipt and acceptance of any order by our Company and subject to our Company's right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the Philippine Depository and Trust Corporation (the "**PDTC**").

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- **General Risks relating to our Business;**
- **Risks relating to the Philippines;**
- **Risks relating to our Properties;**
- **Risks relating to the Offer Shares and an Investment in our Company; and**
- **Risks relating to the Presentation of Information in this REIT Plan.**

See the section entitled "Risk Factors" in this REIT Plan, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

By:

JOSE EMMANUEL H. JALANDONI
*DIRECTOR AND CHAIRMAN

CAROL T. MILLS
DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER

(REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this 24th day of July 2020 in the City of Makati City, Philippines, affiant exhibiting to me the following as competent evidence of identity:

NAME	GOVERNMENT ISSUED I.D.	DATE AND PLACE OF ISSUE
JOSE EMMANUEL H. JALANDONI		
CAROL T. MILLS		

Doc. No. 156;
Page No. 33;
Book No. XIV;
Series of 2020.

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

MA. FLORENCE THERESE DG. MARTIREZ-CRUZ
NOTARY PUBLIC
ROLL NO. 60896
MAKATI CITY, PHILS.

MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ
Notary Public – Makati City
Appt. No. M-154 until December 31, 2021
Roll of Attorneys No. 60896
IBP No. 099047 – 12/16/2019 - Makati City
PTR No. 8116880MG – 01/02/2020 - Makati City
MCLE Compliance No. VI –0009482 – 06/20/2018
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

NOTICE TO INVESTORS

The information contained in this REIT Plan relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. Each of the Company and the Sole Global Coordinator has exercised diligence to the effect that, and the Company confirms that, to the best of its knowledge and belief and after having taken reasonable care to ensure that such is the case, as of the date of this REIT Plan, the information contained in this REIT Plan relating to the Company, its operations and those of its subsidiaries and affiliates is true and there is no material misstatement or omission of fact which would make any statement in this REIT Plan misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this REIT Plan with respect to the same.

Unless otherwise stated, all information contained in this REIT Plan relating to our Company have been supplied by our Company. Each of our Company and the Joint Lead Underwriters have exercised diligence to the effect that, and, our Company confirms that to the best of its knowledge and belief after having taken reasonable care to ensure that such is the case, the information contained in this REIT Plan relating to our Company and its operations (and that of its Affiliates) is true and there is no material misstatement or omission of fact that would make any statement in this REIT Plan misleading in any material respect and our Company hereby accepts full and sole responsibility for the accuracy of the information contained in this REIT Plan with respect to the same. Unless otherwise indicated, all information in this REIT Plan is as of the date of this REIT Plan. Neither the delivery of this REIT Plan nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

No representation or warranty, express or implied, is made by our Company, the Joint Lead Underwriters or the International Joint Bookrunner regarding the legality of an investment in the Offer Shares under any legal, investment, or similar laws or regulations. The contents of this REIT Plan are not investment, legal, or tax advice. Prospective investors should consult their own counsel, accountant, and other advisers as to legal, tax, business, financial, and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of our Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this REIT Plan, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited.

THE OFFER SHARES ARE BEING OFFERED ON THE BASIS OF THIS REIT PLAN ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No person has been authorized to give any information or to make any representations other than those contained in this REIT Plan and, if given or made, such information or representations must not be relied upon as having been authorized by our Company, the Joint Lead Underwriters and the International Joint Bookrunner. This REIT Plan does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this REIT Plan nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The operating information used throughout this REIT Plan has been calculated by our Company on the basis of certain assumptions made by it. See the Independent Property Valuation Report set out at Annex 2 of this REIT Plan for more details on the assumptions used in determining the appraised value of our Properties for this REIT Plan. Please also see the section entitled "Capitalization" in this REIT Plan, which should be read in conjunction with our financial statements, the notes thereto as included in this REIT Plan. As this discussion was based on the assumption that the Offer Price is ₱27.00 per Offer Share, the operating information provided may not be comparable to similar operating information reported by other companies.

The distribution of this REIT Plan and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. Our Company, the Joint Lead Underwriters and the International Joint Bookrunner require persons into whose possession this REIT Plan comes to inform them about, and to observe, any such restrictions. This REIT Plan does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells, or resells the Offer Shares, or possesses and distributes this REIT Plan and must obtain any consents, approvals, or permissions required for the purchase, offer, sale, or resale by it of the Offer Shares under the laws, rules, and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales, or resales, and neither our Company nor the Joint Lead Underwriters and the International Joint Bookrunner shall have any responsibility therefor.

In connection with the Offer, the Stabilizing Agent may over-allocate Offer Shares or effect transactions with a view to support the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no assurance that the Stabilizing Agent will undertake stabilization activities. Any stabilization activities may begin on or after the Listing Date and, if begun, may be ended at any time, but must end no later than 30 calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, regulations and rules. The total number of Offer Shares which the Stabilizing Agent or any of its agents may buy to undertake any stabilization activities shall not exceed 10% of the aggregate number of the Offer Shares.

Our Company reserves the right to withdraw the offer and sale of Offer Shares at any time, and the Joint Lead Underwriters and the International Joint Bookrunner reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, our Company shall subsequently notify the SEC and the PSE. The Joint Lead Underwriters, the International Joint Bookrunner and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this REIT Plan, agrees to the foregoing.

CONVENTIONS THAT APPLY TO THIS REIT PLAN

In this REIT Plan, unless otherwise specified or the context otherwise requires, all references to the "Company" are to AREIT, Inc. All references to "we,""us,"and "our" are to our Company. All references to the "Group" are to Ayala Land, Inc. and its Subsidiaries and Affiliates. All references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government" or the "National Government" are to the national Government of the Philippines. All references to the "BSP" are references to Bangko Sentral ng Pilipinas, the central bank of the Philippines. All references to "Philippine peso", "Pesos" and "₱" are to the lawful currency of the Philippines. Our Company publishes its financial statements in Pesos. The items expressed in the Glossary of Terms may be defined otherwise by appropriate Government agencies or regulations from time to time, or by conventional or industry usage.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding off. References to Annexes are to the Annexes set out in this REIT Plan. All references herein to dates and times shall mean Philippine dates and times unless otherwise specified.

BASIS FOR CERTAIN MARKET DATA

Certain statistical information and forecasts in this REIT Plan relating to the Philippines and other data used in this REIT Plan were obtained or derived from internal surveys, market research, Governmental data, publicly available information, and/or industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. This REIT Plan also contains industry information that was prepared from available public sources and independent market research studies conducted by Colliers International Philippines, Inc. ("**Colliers**") to provide an overview of the real estate industry in which our Company operates. However, there is no assurance that such information is accurate or complete. For such purpose, our Company engaged Colliers to conduct such independent market research studies on the real estate industry in the Philippines and the office real estate markets of Metro Manila and Cebu, portions of which have been presented in the section entitled "Industry" in this REIT Plan and the full versions of which are attached to this REIT Plan at Annex 3 and Annex 4. Colliers is a leader in global real estate services. It provides a total real estate solution to both local and multinational corporations across all sectors worldwide. Similarly, internal surveys, industry forecasts, market research, Governmental data, publicly available information, and/or industry publications have not been independently verified by our Company, the Joint Lead Underwriters or the International Joint Bookrunner and might not be accurate, complete, up-to-date, balanced, or consistent with other information compiled within or outside the Philippines. Consequently, neither our Company nor the Joint Lead Underwriters and the International Joint Bookrunner makes any representations as to the accuracy or completeness of such information, and each of them shall not be held responsible in respect of any such information and shall not be obliged to provide any updates on the same.

PRESENTATION OF FINANCIAL INFORMATION

Our Company's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standards Council of the Philippines. PFRS include statements named PFRS, Philippine Accounting Standards, and Philippine Interpretations of International Financial Reporting Interpretations Committee interpretations issued by the Financial Reporting Standards Council.

FORWARD-LOOKING STATEMENTS

This REIT Plan contains forward-looking statements and forward-looking financial information (including in the section entitled "Profit Forecast and Profit Projection"), that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause our Company's actual results, performance, or achievements to be materially different from any future results;
- performance or achievements expressed or implied by forward-looking statements;
- our Company's overall future business, financial condition, and results of operations, including, but not limited to, its financial position or cash flow;
- our Company's goals for or estimates of its future operational performance or results; and
- changes in the Company's regulatory environment including, but not limited to, policies, decisions, and determinations of governmental or regulatory authorities.

Such forward-looking statements and forward-looking financial information are based on numerous assumptions regarding our Company's present and future business strategies and the environment in which our Company will operate in the future. Important factors that can cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements and forward-looking financial information include, among other things:

- any amendment of the REIT Law or of any other laws or regulations affecting AREIT;
- any unforeseen changes in the domestic, regional, or global economy that result in reduced occupancy or rental rates for AREIT's properties;
- any fluctuations in the competitive landscape in the Philippine property market;
- any substantial change in the quality of AREIT's tenants;
- any changes to available interest rates, inflation rates, and the value of the Peso against the U.S. dollar and other currencies;
- any material changes to any planned renovations or improvements to AREIT's properties, resulting from market demands, financial conditions, and legal requirements, among others;
- the condition of and changes to the Philippines, Asian, or global economies;
- the general political, social, and economic conditions in the Philippines;
- any changes in government regulations, including tax laws, or licensing in the Philippines; and competition in the property investment and development industries in the Philippines; and
- any other matters not yet known to our Fund Manager or not currently considered material by our Fund Manager.

Additional factors that can cause our Company's actual results, performance or achievements to differ materially from the forward-looking statements and forward-looking financial information in this REIT Plan include, but are not limited to, those disclosed under "Risk Factors", "Profit Forecast and Profit Projection" and elsewhere in this REIT Plan. These forward-looking statements and forward-looking financial information speak only as of the date of this REIT Plan.

In particular, in light of the ongoing COVID-19 pandemic and associated uncertainties in the global financial markets and their contagion effect on the real economy, any forward-looking statements and forward-looking financial information contained in this REIT Plan must be considered with significant caution and reservation.

Our Company, the Joint Lead Underwriters and the International Joint Bookrunner expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement and/or forward-looking financial information contained herein to reflect any change in our Company's expectations with regard thereto or any change in events, conditions, assumptions, or circumstances on which any statement is based.

This REIT Plan includes statements regarding our Company's expectations and projections for future operating performance and business prospects. The words "aim," "anticipate," "believe," "consider," "continue," "estimate," "expect," "going forward," "intend," "ought to," "plan," "potential," "predict," "project," "propose," "seek," "may," "might," "can," "could," "will," "would," "shall," "should," "is/are likely to," the negative form of these words, and other similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this REIT Plan are forward-looking statements. Statements in the REIT Plan as to the opinions, beliefs, and intentions of our Company accurately reflect in all material respects the opinions, beliefs, and intentions of its management as to such matters as of the date of this REIT Plan, although our Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This REIT Plan discloses, under the section "Risk Factors", "Profit Forecast and Profit Projection" and elsewhere, important factors that can cause actual results to differ materially from our Company's expectations. All subsequent written and oral forward-looking statements attributable to our Company or persons acting on behalf of our Company are expressly qualified in their entirety by the above cautionary statements.

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GLOSSARY OF TERMS

In this REIT Plan, unless the context otherwise requires, the following terms shall have the meanings set out below.

Adjusted Funds From Operations (AFFO)	Calculated by subtracting from Funds From Operations both (1) recurring capital expenditures that are capitalized by the Company and then amortized, but which are necessary to maintain the Company's properties and its revenue stream and (2) income from straight-line method of recognizing revenue.
Affiliate	A corporation that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under the common Control of, another corporation.
Anchor Locators	Tenants accounting for a significant proportion of Gross Leasable Area for a particular Property.
Applicant	A person, whether natural or juridical, who seeks to subscribe for the Offer Shares.
Application.	An application to subscribe for Offer Shares pursuant to the Offer.
AREIT	Our Company, AREIT, Inc., a corporation organized and existing under the laws of the Philippines, and, previously known as One Dela Rosa Property Development, Inc., and subsequently, AyalaLand REIT, Inc.
APRC	ALO Prime Realty Corporation, a corporation organized and existing under the laws of the Philippines, and a wholly-owned Subsidiary of Ayala Land.
Asian Appraisal.	Asian Appraisal Company, Inc., a property valuation company fully accredited by the SEC and the PSE, with SEC Accreditation No. 21 valid until February 2, 2021, and PSE Accreditation No. CN 2017-0045 valid until August 29, 2022.
Ayala Land	Ayala Land, Inc.
AyalaLand Offices.	AyalaLand Offices, Inc., a Subsidiary of Ayala Land.

Ayala North Exchange	A Grade A, mixed-use development owned by our Company, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of a 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The Gross Leasable Area of Ayala North Exchange is 95,300.35 sq.m. and its gross floor area is 120,154 sq.m. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines. The land on which Ayala North Exchange stands is owned by HLC Development Corp., a wholly-owned Subsidiary of our Sponsor, Ayala Land.
BIR	Bureau of Internal Revenue of the Philippines.
Board	The board of directors of our Company.
BPO	Business Process Outsourcing, which involves the contracting of the operations and responsibilities of a business function to a third-party service provider. Examples of outsourced functions are back-office functions, including internal business functions such as human resources, finance, and accounting, and front-office functions, including customer-related services such as contact/call center services.
BPO Office	Office space designed and dedicated for BPO company operations. As clients of BPOs are usually located offshore and in different time zones, all utilities, equipment, and services of the office space are designed for 24-hour operations.
BSP	Bangko Sentral ng Pilipinas, the central bank of the Philippines.
CAGR	Compound annual growth rate.
CBD	Central business district.
Colliers	Colliers International Philippines, Inc.
Committed Leases	All leases in respect of the Properties covered by executed lease agreements or for which lease offer letters have been signed by the relevant lessor and lessee.
the "Company"	AREIT, Inc., a corporation organized and existing under the laws of the Philippines, and, previously known as One Dela Rosa Property Development, Inc., and subsequently, AyalaLand REIT, Inc.

Competitive Investment Return	A good or better return than other investment instruments available in the market relative to the associated risks. For this purpose, investment return refers to total return. Income streams and/or capital appreciation includes lease rental income, future escalations in rent, and price appreciation in stock. Specifically, we compare AREIT's dividend yield and potential dividend growth to (a) the current 10-year BVAL benchmark rate, (b) rates of recent comparable local debt issuances and instruments, and (c) the 1-year forward dividend yield and dividend yield growth for comparable equity investments and instruments, as taken from Bloomberg.
Control.	The power of a corporation to direct or govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control is presumed to exist when the parent owns, directly or indirectly, through Subsidiaries, more than one-half (1/2) of the voting power of an enterprise, unless, in exceptional circumstances, it can clearly be demonstrated that such ownership does not constitute Control. Control also exists even when the parent corporation owns one-half (1/2) or less of the voting power of an enterprise when there is power: i. over more than one-half (1/2) of the voting rights by virtue of an agreement with investors; ii. to direct or govern the financial and operating policies of the enterprise under a statute or an agreement; iii. to appoint or remove the majority of the members of the board of directors or equivalent governing body; or iv. to cast the majority votes at meetings of the board of directors or equivalent governing body.
CUSA	Common Usage Service Area
DENR	Department of Environment and Natural Resources of the Philippines.
Deposited Property	The total value of our Company's assets, reflecting the fair market value of the total assets held by our Company. As at March 31, 2020, the Deposited Property of our Company is ₱34,137.49 million.
Directors	Directors of our Company.
Distributable Income	Net income as adjusted for unrealized gains and losses/expenses and impairments losses, and other items in accordance with internationally accepted accounting standards (excluding proceeds from the sale of a REIT's assets that are re-invested by the REIT within one year from the date of sale).
Domestic QIBs	Domestic qualified institutional buyers and other domestic institutional investors.

Dues	Net recoveries from tenants for usage of common area services, and utilities.
EBITDA	Earnings before interest, provisions for income tax, depreciation and amortization. For the avoidance of doubt, EBITDA includes income from finance leases (including income from rent of the serviced apartments at Ayala North Exchange, where the long-term building lease agreement with MNHVI has been classified as a finance lease).
EDSA	Epifanio de los Santos Avenue, a limited-access circumferential highway around Metro Manila.
Eligible PSE Trading Participants	Duly licensed securities brokers who are trading participants of the PSE that have complied with all the requirements under the PSE Amended Listing Rules for Real Estate Investment Trusts dated February 7, 2020 to trade REIT shares.
Firm Offer	The offer and sale of 456,883,000 Shares of the Company. The Firm Offer will comprise (i) 47,864,000 new common shares to be issued and offered by the Company by way of a Primary Offer and (ii) 409,019,000 existing common shares offered by the Selling Shareholder pursuant to a Secondary Offer.
Firm Shares	456,883,000 Shares to be offered by our Company and the Selling Shareholder pursuant to the Firm Offer.
floor area	For the purposes of this REIT Plan, in respect of a building, the usable area and common areas.
Funds from Operations (FFO)	Net income after excluding gains or losses from sales of property and adding back real estate depreciation.
Fund Management Agreement	The Fund Management Agreement, dated July 22, 2020, between our Company and our Fund Manager.
Fund Manager	AREIT Fund Managers, Inc. (formerly named AyalaLand Commercial REIT, Inc.), a corporation organized and existing under the law of the Philippines.[2]
GDP	Gross domestic product, or the monetary value of all the finished goods and services produced within a country's borders, calculated on an annual basis.
Government	The government of the Republic of the Philippines.

[2] The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.

GLA or "Gross Leasable Area"	The areas in the Properties that are leasable to tenants, which primarily comprise commercial space but exclude spaces for common area, mezzanine, parking areas, temporary carts and kiosks, and outdoor seating, as of March 31, 2020 unless otherwise specified in this REIT Plan.[3]
GLA Efficiency.	Tenants' useable or carpetable area as divided by Gross Leasable Area.
Grade A	The rating for a building that generally qualifies under certain criteria including, but not limited to, total floor area of above 40,000 sq.m., with GLA Efficiency of over 70%, located within a CBD, with a single owner, and with above average rental and capital value.
Grade B	The rating for a building of any size that generally qualifies under certain criteria including, but not limited to GLA Efficiency of over 60%, allowing for either a single owner or strata-titled investors, and with average accessibility and average rental and capital value.
Gross Revenue	The gross revenue of the Company, consisting of Rental Income and Dues, before expenses, in any financial year ending on December 31 in each year or other specified period.
Gross Rental Income	The gross Rental Income of the Company, before expenses, in any financial year ending on December 31 in each year or other specified period.
"our Group"	Ayala Land, Inc. and its Subsidiaries and Affiliates.
HQ Office	Office space designed and dedicated for corporate headquarters, typically serving as a central location where a corporation's executive management and key managerial and support staff maintain their offices.
Institutional Offer	The offer for sale of the Institutional Offer Shares (i) outside the United States by the International Joint Bookrunner in offshore transactions in reliance on Regulation S of the Securities Act; and (ii) to Domestic QIBs in the Philippines by the Joint Lead Underwriters.
Institutional Offer Settlement Date	The date on which final allocation of the Institutional Offer Shares is to be made, expected to be on or about August 13, 2020.
Institutional Offer Shares. . . .	The 319,818,100 or approximately 70% of the Firm Shares being offered for sale pursuant to the Institutional Offer.
International Joint Bookrunner.	UBS AG Singapore Branch
Joint Bookrunners	BPI Capital Corporation and UBS AG Singapore Branch
Joint Lead Underwriters	BPI Capital Corporation, PNB Capital and Investment Corporation, and SB Capital Investment Corporation

3 Each GLA figure presented in this REIT Plan should be read as "more or less" to account for the margin of error (+/-5 sq.m.) which is accepted in industry practice when measuring such space.

Jumbo Certificate	A certificate covering all the securities lodged with the PDTC and issued in the name of the PCD Nominee.
Listing Date	The date on which trading of the Shares on the PSE begins, expected to be on or about August 13, 2020.
LSIs	Local small investors.
LSI Guidelines	The Application and Settlement Procedures for LSIs under the Local Small Investors Program of the SEC and the PSE.
Manual	The Corporate Governance Manual of our Company prepared to ensure our compliance with the leading practices on good corporate governance, the REIT Law, and related SEC rules and regulations. The Manual was approved and adopted by our Board on March 25, 2019.
McKinley Exchange	McKinley Exchange Corporate Center, a five-storey Grade A, PEZA-accredited, mixed-use development owned by our Sponsor, which began operations in 2015, with a Gross Leasable Area of 10,687.50 sq.m., 9,633.32 sq.m. of which is designated for commercial office leasing, and gross floor area of 14,598.40 sq.m., on a plot of land with an area of 4,513 sq.m., and is located along McKinley Road corner EDSA in the Makati CBD. On January 31, 2020, our Company entered into a Contract of Lease with our Sponsor for the lease of the office and retail building of McKinley Exchange commencing on February 1, 2020 and ending on December 31, 2054, and initial monthly rent of ₱2,733,078 per month, subject to annual escalation at the rate of 5%. The ownership over the land on which McKinley Exchange stands remains with our Sponsor, Ayala Land.
Metro Manila	The metropolitan area comprising the city of Manila, the cities of Caloocan, Las Piñas, Navotas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon City, San Juan, Taguig and Valenzuela, and the municipality of Pateros.
National Internal Revenue Code	Republic Act No. 8424 or the Tax Reform Act of 1997, as amended.
Net Asset Value	The adjusted net asset value reflecting the fair market values of total assets and investible funds held by our Company, less total liabilities. Net Asset Value per share shall be computed by dividing Net Asset Value by the total outstanding shares of our Company.
Net Operating Income	Gross Revenue less direct operating expenses of the Properties and any other property our Company may acquire.
occupancy rate	The percentage of occupied area, in respect of a building, that is covered by Committed Leases which have commenced on the specified lease term as compared to the total Gross Leasable Area made available in the building at such time.
Offer	The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein.

Offer Price	₱27.00 per Offer Share.
Offer Shares	The Firm Shares and the Optional Shares.
OFW	Overseas Filipino Workers.
Optional Shares.	Up to 45,688,700 Shares to be sold by the Selling Shareholder and purchased by the Stabilizing Agent upon exercise of the Over-allocation Option.
Organizational Documents . . .	The Articles of Incorporation and By-Laws, including amendments thereof, of our Company.
"our", "we" and "us".	AREIT, Inc.
Over-allocation Option	An option granted by the Selling Shareholder and our Company to the Stabilizing Agent, exercisable within 30 calendar days from and including the Listing Date, to purchase Optional Shares.
Parent.	A corporation, which has Control over another corporation, directly or indirectly, through one or more intermediaries.
PCD	The Philippine Central Depository.
PCD Nominee.	The PCD Nominee Corporation, a corporation wholly owned by the PDTC.
PDS	The Philippine Dealing System.
PDTC.	The Philippine Depository and Trust Corp.
Permit to Sell	The order of registration and permit to sell issued by the SEC, granting the effectiveness of the registration statement filed in relation to the Offer Shares.
Pesos or ₱	The lawful currency of the Philippines.
PEZA	The Philippine Economic Zone Authority.
PFRS	Philippine Financial Reporting Standards.
Philippines	Republic of the Philippines.
Philippine Corporation Code	Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines.

Philippine National	As defined under the Foreign Investments Act of 1991, means a citizen of the Philippines, or a domestic partnership or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and the entitlement to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code of which 100% of the capital stock outstanding and the entitlement to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals; provided, that where a corporation and its non-Filipino stockholders own stocks in a SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of each of both corporations must be owned and held by citizens of the Philippines, in order that the corporation shall be considered a Philippine national. Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991 and other existing laws, amendments thereto, and implementing rules and regulations of the said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.
Premium Grade	The rating for a building that generally qualifies under certain criteria including, but not limited to, total floor area of above 55,000 sq.m., with GLA Efficiency of 75% or above, located within the core of a CBD, with a single owner, and with premium rental and capital value.
Primary Offer	The offer and sale of the Primary Offer Shares.
Primary Offer Shares.	47,864,000 new common shares of the Company to be issued and offered by the Company pursuant to the Offer.

the Properties	Comprised of three commercial buildings (excluding the land on which they stand), namely: Solaris One, and Ayala North Exchange, via freehold (i.e. which are owned by the Company), and, as of February 1, 2020, McKinley Exchange, via leasehold (i.e. which is leased by the Company) (each, a "**Property**"). As of the date of this REIT Plan, the Company's property portfolio consists of these three commercial buildings in Metro Manila, Philippines, which meet our investment criteria. The land on which these respective buildings are built do not form part of the Company's asset portfolio and is not owned by the Company. The land for each building are subject of lease agreements between the Company and the legal owners thereof – our Sponsor, for Solaris One, and McKinley Exchange, and HLC Development Corp (a wholly-owned Subsidiary of our Sponsor),[4] for Ayala North Exchange.
Property Management Agreement	The Property Management Agreement, dated July 22, 2020, between our Company and our Property Manager.
Property Manager	AREIT Property Managers, Inc. (formerly named Next Urban Alliance Development Corp.), a corporation organized and existing under the laws of the Philippines.
PSE	The Philippine Stock Exchange, Inc.
PSE Main Board	One of the two boards of the PSE, open to companies that have an authorized capital stock of at least ₱500 million, at least three years of operating history, EBITDA of at least ₱50 million for the three years prior to listing, and positive stockholders' equity for the fiscal year immediately preceding listing.
Public Shareholder	A shareholder of the Company, other than the following persons ("**Non-public Shareholders**"): i. Any person who, acting alone or in conjunction with one or more other persons, directly or indirectly, contributes cash or property in establishing the Company; ii. A director, chairman of the board of Directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the beneficial owner of more than ten percent (10%) of any class of securities of (i);

4 While HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sqm portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City.

iii. A director, chairman of the board of Directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the beneficial owner of more than 10% of any class of securities of the Company;

iv. An associate of (ii) and (iii);

v. A Parent, Subsidiary, or Affiliate of the Company or anyone listed in (i); and

vi. Any person who holds legal title to the shares of stock of the Company for the benefit of another for the purpose of circumventing the provisions of the REIT Law.

REIT . . . . A stock corporation established in accordance with the Philippine Corporation Code and the rules and regulations promulgated by the SEC principally for the purpose of owning income-generating real estate assets. For purposes of clarity, a REIT, although designated as a "trust", does not have the same technical meaning as "trust" under existing laws and regulations but is used herein for the sole purpose of adopting the internationally accepted description of the company in accordance with global best practices.

the REIT Law. . . . . Republic Act No. 9856, The Real Estate Investment Trust (REIT) Act of 2009 and its Implementing Rules and Regulations, and any amendments thereto.

Regulation S. . . . . Regulation S under the Securities Act

Related Party . . . . Any of the following individuals or companies:

i. a Director, chairman of the board of Directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the beneficial owner of more than 10% of any class of securities of the Company or any associate of such persons;

ii. our Sponsor;

iii. our Fund Manager;

iv. an adviser of the Company, including any lawyer, accountant, auditor, financial or business consultant, and such other persons rendering professional advisory services to the Company;

v. our Property Manager;

vi. a director, chairman of the board of directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment officer (and their equivalent positions, including consultants with similar rank or position), stockholder who is, directly or indirectly, the beneficial owner of more than 10% of any class of securities of our Sponsor, Fund Manager, or Property Manager, or an associate of any such persons; and

vii. any Parent, Subsidiary, or Affiliate of the Company, our Fund Manager, or our Property Manager.

Rental Income.	The amounts payable by all tenants and earned by our Company on its Properties, and any other property our Company may acquire, as reflected in the audited financial statements of the Company. Rental Income is recognized using the straight-line method over the lease team, and adjusted for tenant incentives amortised over the applicable lease period. For the avoidance of doubt, Rental Income does not include income from finance leases (including income from rent of the serviced apartments at Ayala North Exchange, where the long-term building lease agreement with MNHVI has been classified as a finance lease).
SEC	The Securities and Exchange Commission of the Philippines.
Secondary Offer	The offer and sale of Secondary Offer Shares.
Secondary Offer Shares	409,019,000 existing common shares of the Company to be offered by the Selling Shareholder pursuant to the Offer.
Securities Act	United States Securities Act of 1933, as amended.
Selling Shareholder	Ayala Land, Inc.
the “Shareholders”	The shareholders of our Company, following the completion of the Offer.
Shares	The common shares of par value ₱10.00 each of our Company.
Solaris One.	A 24-storey, Grade A, PEZA-accredited commercial building owned by our Company and previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sq.m. of Gross Leasable Area and 73,322 sq.m. of gross floor area, and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines. The land on which Solaris One stands is owned by our Sponsor, Ayala Land.
Sole Global Coordinator	BPI Capital Corporation

Sponsor	Ayala Land, Inc. acting directly, or indirectly through its wholly-owned Subsidiary, AyalaLand Offices.
sq.m.	Square meters.
SRC	The Securities Regulation Code of the Philippines (Republic Act No. 8799) and its implementing rules, as amended.
Stabilizing Agent	BPI Capital Corporation, in its role as stabilizing agent, whereby it may engage in stabilization activities relating to any over-allocation of Shares from the Selling Shareholder for a period beginning on the Listing Date and ending on a date no later than 30 calendar days from and including the Listing Date.
State.	The Republic of the Philippines.
Subsidiary	A corporation which is Controlled, directly or indirectly, by another corporation which thereby becomes its Parent.
Teleperformance Cebu	Formerly known as Aegis Towers 1 and 2, the property is a Grade A, mixed-use development owned by APRC, a wholly-owned subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2010 with a combined GLA of 17,947.96 sq.m., constructed on a 3,621 sq.m. parcel of land owned by our Sponsor, and located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City. The building is composed of 12-storeys of reinforced concrete framed commercial space with two basements, penthouse, roof deck and a total of 237 parking slots. Our Company intends to acquire the commercial buildings from APRC, or an alternative building from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, after the Listing Date, using a portion of the net proceeds from the Primary Offer.
TP Guidelines	The Implementing Guidelines for the Reservation and Allocation of the Firm Shares among Trading Participants.
Trading Participants	Brokers and/or dealers who are authorized to operate trading rights in the PSE, pursuant to trading rules of the PSE.
Trading Participants and Retail Offer	The offer for sale of the Trading Participants and Retail Offer Shares to be made in the Philippines, in reliance on Regulation S of the Securities Act.
Trading Participants and Retail Offer Settlement Date	The date on which domestic subscriptions under the Trading Participants and Retail Offer are paid, expected to be on or about August 3, 2020.
Trading Participants and Retail Offer Shares	137,064,900 of the Offer Shares, or approximately 30% of the Firm Shares, being offered pursuant to the Trading Participants and Retail Offer.
Underwriting Agreement	The underwriting agreement dated July 24, 2020 between our Company, the Selling Shareholder, and the Joint Lead Underwriters.

REIT PLAN SUMMARY

The following summary is qualified in its entirety by, and is subject to the more detailed information and financial statements contained or referred to elsewhere in this REIT Plan. The meanings of terms not defined in this summary can be found elsewhere in this REIT Plan.

AREIT, Inc.

AREIT, Inc. is a real estate company established in the Philippines ("**AREIT**"). Previously known as One Dela Rosa Property Development, Inc., our Company changed its name to AyalaLand REIT, Inc. on April 12, 2019. On June 28, 2019, our Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc. Upon compliance with the requirements of the REIT Law, our Company shall operate as a REIT.

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

Our Company intends to provide a Competitive Investment Return to investors through execution of a careful investment strategy focused on producing a secure and growing income. Our Company's principal investment strategy is to invest in income-generating real estate properties that meet a select set of criteria. To meet our Company's investment criteria, a potential new property should (1) be located in a prime location in either Metro Manila or other key provinces in the Philippines, (2) be primarily (but not exclusively) focused on commercial properties, but may be other types of real estate properties available in the market, and (3) have stable occupancy, tenancy, and income operations. Please see the sections entitled "Business and Properties – Business Strategies" and "Business and Properties – Investment Policy" in this REIT Plan.

As of date of this REIT Plan, the Company's property portfolio consists of three commercial buildings in Metro Manila, Philippines that meet our investment criteria. The land on which these respective buildings are built do not form part of the Company's asset portfolio and is not owned by the Company.

- ***Solaris One***, a 24-storey Grade A, PEZA-accredited commercial building owned by our Company and previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sq.m. of Gross Leasable Area and 73,322 sq.m. of gross floor area, and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines. The land on which Solaris One stands is owned by our Sponsor, Ayala Land;

- ***Ayala North Exchange***, a Grade A, mixed-use development owned by our Company, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of a 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The Gross Leasable Area of Ayala North Exchange is 95,300.35 sq.m. and its gross floor area is 120,154 sq.m. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines. The land on which Ayala North Exchange stands is owned by HLC Development Corp., a wholly-owned Subsidiary of our Sponsor; and

- ***McKinley Exchange***, a 5-storey Grade A, PEZA-accredited mixed-use development owned by our Sponsor, which began operations in 2015, with a Gross Leasable Area of 10,687.50 sq.m., 9,633.32 sq.m. of which is designated for commercial office leasing, and with a gross floor area of 14,598.40 sq.m., on a plot of land with an area of 4,513 sq.m., located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, our Company entered into a Contract of Lease with our Sponsor for the lease of the office and retail building commencing on February 1, 2020 and ending on December 31, 2054, and initial monthly rent of ₱2,733,078, subject to annual escalation at the rate of 5%. Ownership of land on which McKinley Exchange stands remains with our Sponsor, Ayala Land.

	Solaris One	**Ayala North Exchange**	**McKinley Exchange**
Year Completed	2008	2019	2014
Description	Grade A, PEZA-accredited 24-storey commercial building	Grade A, PEZA-accredited, mixed-use development	Grade A, PEZA-accredited, mixed-used development
Location	130 Dela Rosa, Legaspi Village, Makati City	6796 Ayala Avenue corner Salcedo, Legaspi Village, Makati City	McKinley Road corner EDSA, Makati City
GLA	46,767.95 sq.m.	95,300.35 sq.m.	10,687.50 sq.m.
Occupancy Rate	100.0% as of March 31, 2020	100.0% as of March 31, 2020	98.4% as of March 31, 2020
Right over Building	Owned	Owned	Leased
Right over Land	Leased	Leased	Leased
Land Lease Expiry	2048	2058	2054
Key Tenants	• Shell Shared Services • ANZ Global Services and Operations	• Makati North Hotel Ventures, Inc. • Concentrix CVG Philippines, Inc. • Oracle Netsuite (Philippines), Inc.	• TELUS International Philippines

In addition to these Properties, after the Primary Offer, we intend to expand our building portfolio by acquiring another building, Teleperformance Cebu, from APRC, a wholly-owned subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2010 with a combined GLA of 17,947.96 sq.m., constructed on a 3,621 sq.m. parcel of land owned by our Sponsor, and located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City. Our Company intends to acquire the commercial buildings from APRC, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria. Please see the section entitled "Business and Properties – Teleperformance Cebu" in this REIT Plan. We intend to complete the acquisition of the office and retail buildings of Teleperformance Cebu from APRC, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, using the net proceeds from the Primary Offer. Please see the section entitled "Use of Proceeds" in this REIT Plan.

We believe that our Company offers Shareholders an investment opportunity with the following benefits:

- a stable yield;

- opportunities for Gross Revenue and Net Operating Income growth;

- high-quality properties with strong tenant demand;
- the support of one of the Philippines' largest and most established property developers, Ayala Land, as Sponsor;
- experienced management with incentive to grow our Company's Gross Revenue and Net Operating Income; and
- distribution of at least 90% of our Company's Distributable Income.

Structure of AREIT

Our Company is a domestic corporation, established to invest in income-generating real estate. Our Company is supported and managed by a number of parties.

Our Sponsor, Ayala Land, Inc., is a public corporation organized under the laws of the Philippines. Our Sponsor is one of the leading and most diversified real estate conglomerates in the Philippines engaged in the planning and development of large-scale residential lots and buildings, office buildings, and commercial and industrial lots. In addition to being a leading player in the Philippines' commercial leasing industry with significant commercial and office spaces in its portfolio, our Sponsor is also engaged in property management, construction, and other real-estate adjacent businesses like retail. As such, our Company benefits from our Sponsor's well-established reputation, relationships with key players in the Philippine real estate industry, understanding of the Philippine real estate market, and deep experience in developing and managing properties such as our Properties. As of the date of this REIT Plan, 44.48% of Ayala Land's common shares are held by Ayala Corporation, 54.64% are held publicly, and 22.96% are held by foreign owners.

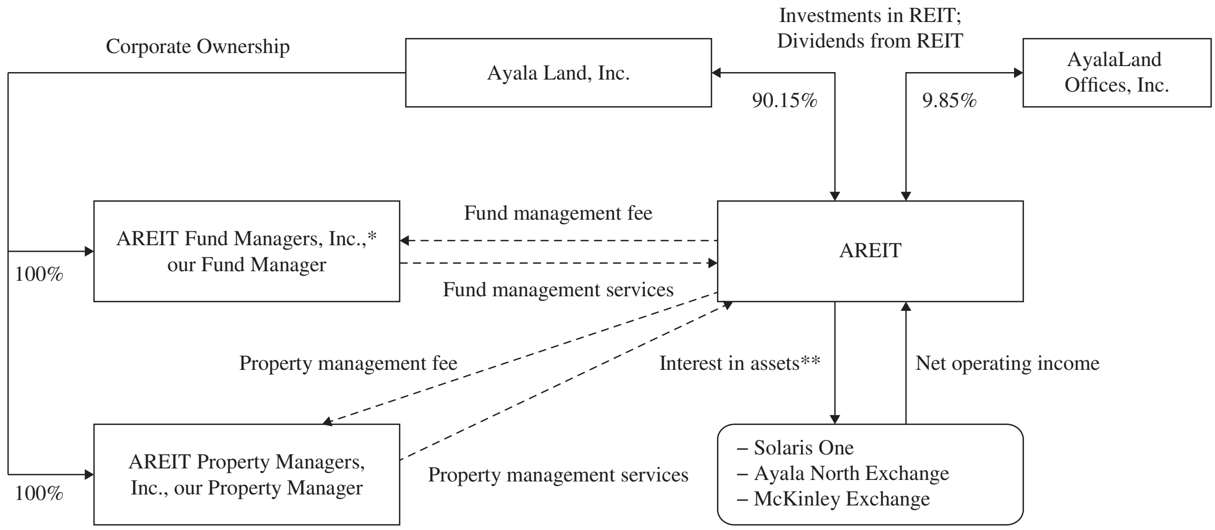
Our Fund Manager is a corporation, organized under the laws of the Philippines. Formerly named AyalaLand Commercial REIT, Inc., our Fund Manager changed its name to AREIT Fund Managers, Inc. and primary purpose on February 27, 2020.[5] Its registered office is at 32nd Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines. Our Fund Manager is a wholly-owned Subsidiary of our Sponsor. Our Fund Manager has general power of management over the assets of our Company, pursuant to the Fund Management Agreement. Our Fund Manager's main responsibilities are to implement our Company's investment strategies and manage our Company's assets and liabilities for the benefit of our Shareholders. Our Fund Manager will manage the assets of our Company with a focus on generating steady Rental Income and, if appropriate, increasing our Company's assets over time so as to enhance the returns from the investments of our Company and, ultimately, the distributions to our Shareholders. For a more detailed discussion on our Company's strategy, see the section entitled "Business and Properties – Business Strategies" in this REIT Plan.

Our Property Manager, AREIT Property Managers, Inc., is a corporation, organized under the laws of the Philippines. Formerly named Next Urban Alliance Development, Corp., our Property Manager changed its name on April 16, 2019. Its registered office is at 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines. Our Property Manager is a wholly-owned Subsidiary of our Sponsor. Our Property Manager will perform the day-to-day property management functions of the Properties pursuant to the Property Management Agreement and in accordance with this REIT Plan and our Company's investment strategies. See the section entitled "Certain Agreements Relating to our Company and the Properties – Property Management Agreement" in this REIT Plan. These functions include managing the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the Properties. In addition, our Property Manager will oversee the overall management of, maintenance and repair of the structure and utilities of the Properties; formulation and implementation of policies and programs in respect of building management; maintenance and

[5] The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.

improvement; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee building management operations.

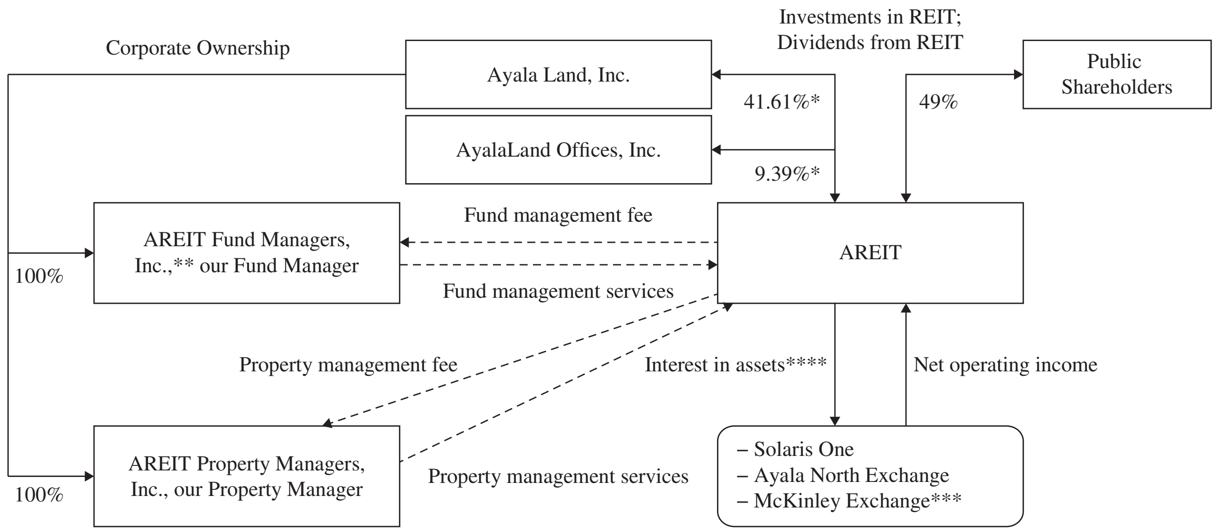
The operational structure and the relationship of the various parties, as of the date of this REIT Plan, are illustrated in the following diagram:



* The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.

** The Company's Properties include three commercial buildings known as Solaris One, and Ayala North Exchange via freehold (i.e. which are owned by the Company), and, as of February 1, 2020, McKinley Exchange via leasehold (i.e. which is leased by the Company). The land on which these buildings are built do not form part of the Company's asset portfolio and is not owned by the Company. The lands for each building are subject of lease agreements between the Company and the legal owners thereof-Ayala Land for Solaris One and McKinley Exchange, and HLC Development Corp. for Ayala North Exchange (While HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sqm portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City).

The operational structure and the relationship of our Company, following the Listing Date, is illustrated in the following diagram:



* Assuming that the Over-allocation Option is fully exercised.

** The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.

*** Also to include commercial buildings of the mixed-use development of Teleperformance Cebu, or an alternative property that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, upon completion of our Company's lease of such property.

**** The Company's Properties include three commercial buildings known as Solaris One, and Ayala North Exchange via freehold (i.e. which are owned by the Company), and, as of February 1, 2020, McKinley Exchange via leasehold (i.e. which is leased by the Company). The land on which these buildings are built do not form part of the Company's asset portfolio and is not owned by the Company. The lands for each building are subject of lease agreements between the Company and the legal owners thereof-Ayala Land for Solaris One and McKinley Exchange, and HLC Development Corp. for Ayala North Exchange (While HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sqm portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City).

Business and Properties

As of date of this REIT Plan, the Company's property portfolio consists of three commercial buildings in Metro Manila, the Philippines that meet our investment criteria. The land on which these respective buildings are built do not form part of the Company's asset portfolio and is not owned by the Company.

- ***Solaris One***, a 24-storey Grade A, PEZA-accredited commercial building owned by our Company and previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sq.m. of Gross Leasable Area and 73,322 sq.m. of gross floor area, and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, Philippines. The land on which Solaris One stands is owned by our Sponsor, Ayala Land;

- ***Ayala North Exchange***, a Grade A, mixed-use development owned by our Company, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of a 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019. The Gross Leasable Area of Ayala North Exchange is 95,300.35 sq.m. and its gross floor area is 120,154 sq.m. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Philippines. The land on which Ayala North Exchange stands is owned by HLC Development Corp., a wholly-owned Subsidiary of our Sponsor; and

- ***McKinley Exchange***, a 5-storey Grade A, PEZA-accredited mixed-use development owned by our Sponsor, which began operations in 2015, with Gross Leasable Area of 10,687.50 sq.m., 9,633.32 sq.m. of which is designated for commercial office leasing, and gross floor area of 14,598.40 sq.m., on a plot of land with an area of 4,513 sq.m., located along McKinley Road corner EDSA in Makati City, Metro Manila's preeminent financial business district. The building also incorporates two basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, our Company entered into a Contract of Lease with our Sponsor for the lease of the office and retail building commencing on February 1, 2020 and ending on December 31, 2054, and initial monthly rent of ₱2,733,078, subject to annual escalation at the rate of 5%. Ownership of land on which McKinley Exchange stands remains with our Sponsor, Ayala Land.

Solaris One and Ayala North Exchange are owned by our Company, while McKinley Exchange, as of February 1, 2020, is under a long-term building and land lease from our Sponsor. The land on which Solaris One and Ayala North Exchange are built are subject of long-term leases between our Company, and Ayala Land for Solaris One, and HLC Development Corp.,[6] for Ayala North Exchange. The lease rates for the lease of McKinley Exchange, and the land-leases over the land on which the properties stand are all

[6] HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sqm portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City.

entered into at arms-length. See the section entitled "Certain Agreements Relating to our Company and the Properties" in this REIT Plan for more details on our Company's acquisition and lease of the Properties.

AREIT Inc. has owned Solaris One building since its construction in 2007. The Company has kept it as part of its property portfolio since it has exhibited strong and stable cash flows from rental revenue and has experienced a consistently high occupancy rate with no payment delays and defaults. Our Company subsequently included Ayala North Exchange in our asset portfolio on October 2018, given that it is one of the newest commercial properties along Ayala Avenue, the major thoroughfare of the Makati CBD. Even prior to its completion in Q3 2019, Ayala North Exchange has obtained Committed Leases with a diverse mix of tenants operating in various industries as early as May 2015. This acquisition significantly increased our Company's available GLA in the Properties by at least 200%. Despite the fact that Ayala North Exchange has just started its operations, its committed leases have already covered 100.0% of the GLA as of March 31, 2020. Lastly, our Company selected McKinley Exchange building since it is a prime mixed-use development strategically located in between two CBDs – Makati and Fort Bonifacio that is wholly-owned by our Sponsor, Ayala Land, Inc. Our Company has obtained PEZA accreditation for the three properties, which enables our tenants to enjoy available fiscal and non-fiscal incentives under this tax regime. Furthermore, all three properties are (1) situated in prime Ayala Avenue, Makati addresses (2) have quality and diverse tenant bases of top BPO and corporate locators without any POGOs, and (3) have long and substantial remaining useful lives of the buildings, which are not subject to re-development. This dynamic combination offer attractive investment option for potential stakeholders as they have exhibited strong lease take up and potential for growth. Please see the sections entitled "Business and Properties".

In addition to the Properties described above, we intend to expand our building portfolio by acquiring from APRC, a wholly-owned Subsidiary of Ayala Land, a fourth building, Teleperformance Cebu, or an alternative building from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, using the net proceeds from the Primary Offer. Please see the section entitled "Business and Properties – Teleperformance Cebu" in this REIT Plan. Teleperformance Cebu is a Grade A, mixed-use development owned by APRC, a wholly-owned Subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2010 with a combined GLA of 17,947.96 sq.m., constructed on a 3,621 sq.m. parcel of land owned by our Sponsor, and located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City. The building currently hosts a single tenant in its office space, TPPH – FHCS, Inc., more commonly known as Teleperformance, a pioneer in the BPO industry. Based on the GLA of the existing lease commitment at Teleperformance Cebu, the addition of Teleperformance Cebu to our property portfolio is expected to increase our Gross Leasable Area by 11.7%. We intend to acquire the office and retail buildings of Teleperformance Cebu from APRC using the net proceeds from the Primary Offer. Please see the section entitled "Use of Proceeds" in this REIT Plan.

Together, the Properties[7] in our portfolio comprised approximately 152,755.80 sq.m. of Gross Leasable Area as of March 31, 2020, and for the three-month period ended March 31, 2020 and the year ended December 31, 2019 derived Gross Revenue of ₱446.8 million and ₱1,516.2 million, respectively. Solaris One, the smaller of the Properties, in terms of GLA, has been leased to commercial tenants since 2008, shortly after its construction was completed. As of March 31, 2020, it represented approximately 30.6% of the Properties' total GLA, and for the three-month period ended March 31, 2020, accounted for 42.2% of Gross Revenue. The figures herein presented do not include the historical data of McKinley Exchange as the lease of the Property commenced only on February 1, 2020.

Over the last three years, Solaris One has benefited from high occupancy levels. As of December 31, 2019, and December 31, 2018, it had an occupancy level of approximately 96.2% and 99.4%, respectively. As of March 31, 2020, it had an occupancy rate of 100%. In addition, Solaris One benefits from a stable tenant base as demonstrated by the high level of tenancy renewals.

7 The figures discussed herein for March 31, 2020 include gross revenue and income of McKinley Exchange, whose lease commenced on February 1 2020. In contrast, audited financial figures on or before December 31, 2019 exclude McKinley Exchange. The valuation of the assets as discussed in this REIT Plan includes the valuation of McKinley Exchange.

Our Company's GLA expanded significantly by the transfer of Ayala North Exchange from Ayala Land to our Company, on October 5, 2018 pursuant to a Deed of Assignment. This acquisition increased our Company's available GLA in the Properties by approximately 203.8%. Even prior to its completion, Ayala North Exchange has Committed Leases with various HQ Office and BPO Office tenants some of which were perfected as early as 2015, and commenced on May 2018. As of March 31, 2020 and for the three-month period ended March 31, 2020, Ayala North Exchange represents 62.4% of the Properties' total GLA, and accounted for 53.6% of our Company's Gross Revenue.

As of March 31, 2020, our Company had Committed Leases to cover 100% of the office GLA in Ayala North Exchange. Given the similar composition of the tenants who have leases in Ayala North Exchange and our Sponsor's prior relationship with many of these tenants, we expect a similar level of tenancy renewals and stability in its tenant base as we experience with Solaris One.

With the inclusion of McKinley Exchange to our property portfolio, as of February 1, 2020, the Company continues to benefit from a stable tenant base with the lease of TELUS International Philippines, a pioneer in the BPO industry. As of March 31, 2020, McKinley Exchange has an occupancy rate of 100% in its office space. The inclusion of McKinley Exchange via a long-term building lease with our Sponsor has expanded our GLA by 7.5%. As of December 31, 2019, McKinley Exchange's Rental Income was at ₱98.0 million, and for the three-month period ended March 31, 2020, the Property's Rental Income was at ₱17.8 million.

The Properties benefit from their locations within the Makati CBD, the premier financial business district in the Philippines, which boasts, on average, the highest land values in Metro Manila. The rising land value of the Properties enables these assets to command a high rental rate being situated in a prime location. The Properties also benefit from being strategically located in such a central district, which allow for easy commuting for the employees of our tenants. The Properties are Grade A buildings and feature amenities and technology for lessees that cater to the high-speed fiber-optic data telecommunications systems of telecommunications providers; the Properties have clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems. The Grade A classification of the buildings was determined based on industry criteria and subject to comparison with other similar developments. Grade A buildings are often in high-demand due to their location, facilities, layout and finishing among other factors.

The combination of the Properties' premier location and sophisticated facilities make the Properties highly competitive in the commercial leasing market in Metro Manila. We believe that the rental rates our Company offers at our Properties are on par with comparable competitors. See the section entitled "Business and Properties – Competition" in this REIT Plan. Accordingly, our Properties meet our Company's investment criteria for Grade A, centrally located, stably occupied and income producing properties. That our Properties meet our high investment standards is evidenced by our Properties having proven attractive to lessees who are leaders in their industries, including, among others, the Bank of the Philippine Islands, Shell Shared Services (Asia) B.V. – Philippine Branch, Concentrix CVG Philippines, Inc., ANZ Global Services and Operations (Manila), Inc., and as of February 1, 2020, TELUS International Philippines.

The ten largest tenants (in terms of total Gross Leasable Area across the portfolio) of the Properties contributed 74.4% of total Rental Income for the year ended December 31, 2019 and 78.0% of total Rental Income for the three-month period ended March 31, 2020. In addition, for the three-month period ended March 31, 2020, no more than 38.8% of total Rental Income from the Properties was derived from any one industry sub-sector and, not more than 26.4% of total Rental Income from the Properties was derived from any one tenant. For the same period, the BPO industry generated the largest proportion of Rental Income at Solaris One, while the BPO industry as well as the banking and finance industry generated the largest proportion of Rental Income at Ayala North Exchange. Considering that the lease for McKinley Exchange commenced on February 1, 2020, the figures herein presented include the historical data of McKinley Exchange. The valuation of the assets as discussed in this REIT Plan however, includes the valuation of McKinley Exchange.

Asian Appraisal valued the Properties (buildings only and excluding the land on which the buildings are constructed), as of June 17, 2020, at approximately ₱30,152 million: Solaris One was valued at ₱12,054 million, Ayala North Exchange was valued at ₱16,026 million, and McKinley Exchange was valued at ₱2,072 million.

Competitive Strengths

We believe that our company benefits from the following competitive strengths:

Top-class real estate player with proven track record and distinctive brand equity as Sponsor

Our Sponsor's strengths lie in its proven track record, strong brand reputation, and its ability to develop quality real estate products that cater to the different segments in the Philippine market. With over eight decades of experience, together with its parent company, Ayala Corporation, Ayala Land has become one of the largest and most experienced real estate developers in the Philippines. Ayala Land's proven track record includes the development of Makati as the country's premier CBD and Ayala Alabang as a prestigious suburban residential community. Our Sponsor is a leading office developer in the Philippines, particularly in the Metro Manila area, with a total gross floor area of 1,312,798 sq.m. at the end of 2019. Ayala Land overtook its competitors in 2018 to become the top office developer in Metro Manila, commanding a 9.28% market share, based on total gross floor area. Ayala Land also dominates the office market in the Makati CBD, holding a 55% market share of the total gross floor area in Makati, as of December 31, 2019. Moreover, Ayala Land's market share in Makati is projected to increase to 72% by the end of 2022. See the section entitled "Industry" in this REIT Plan.

Our Sponsor's earnings per share increased from ₱0.31 in 2009 to ₱2.25 in 2019 with a compound annual growth rate of 21.9% during that period. Its gross lease area for office space increased from 360,000 sq.m. in 2009 to 1.17 million sq.m. in 2019 with a compound annual growth rate of 12.5% during that period.

Our Sponsor is consistently improving its track record, making significant recent development in areas such as Bonifacio Global City in Taguig City, Cebu, and Nuvali in Sta. Rosa and Calamba City as well as recently launched estates in Abreeza Davao, Centrio Cagayan de Oro, Arca South Taguig, Circuit Makati and Vertis North Quezon City.

Our Sponsor's support can be seen from its extension of its "Ayala" brand to our Company. We believe that the Ayala Land name is synonymous with quality and prestige and is one of the most widely trusted brands in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivisions and high-rises, shopping centers, office buildings – and across a broad spectrum of price-points and geographies.

Because of its strong, nationwide brand reputation, Ayala Land is also the partner of choice for strategic partners and landowners who want to make significant new investments in the country and help prime our Sponsor's strategic growth centers. In addition, many globally recognizable multinational companies choose to reside in the Group's headquarter-type offices or BPO facilities. Ayala Land builds strong relationships with its business partners, landowners, tenants, employees, customers, the local government, non-government organizations, and communities. This allows our Sponsor to enhance its position as a leading property developer in the Philippines.

Primarily, AREIT will be the commercial REIT platform for Ayala Land. As a commercial REIT, AREIT will focus on expanding its office, mall, and hotel properties. However, if the opportunity arises, AREIT may also explore other types of real estate properties available in the market. AREIT is an important initiative for Ayala Land. Beyond the Offer, our Sponsor is committed to growing and supporting the long-term viability of AREIT. This commitment is demonstrated primarily through: (i) our Sponsor becoming a significant Shareholder in our Company, upon completion of the Offer, directly holding at least 41.61%, and indirectly holding 9.39% through AyalaLand Offices, Inc., of our Company's issued and outstanding capital stock (assuming the Over-allocation Option is fully exercised); (ii) our Properties having been developed by and acquired or leased from our Sponsor; (iii) our Directors and executive officers having extensive business experience with our Sponsor or other Group companies; (iv) some of the Properties' tenants having previous leasing relationships with our Sponsor; and (v) our Fund Manager and Property Manager both being wholly-owned Subsidiaries of our Sponsor. In addition, our Sponsor intends to maintain ownership of a minimum of 51% of the capital stock of our Company, with the possibility of increasing its ownership interest to up to 67%.

Exposure to prime, Grade A office property in the Philippines

Our Company presently owns two commercial buildings, Solaris One and Ayala North Exchange, and as of February 1, 2020, leases another commercial building, McKinley Exchange, all located in the heart of Makati. Makati has the highest concentration of multinational and local corporations in the Philippines, including major banks, conglomerates, and department stores as well as foreign embassies and as a result consistently displays some of the highest property values in all of Metro Manila. See the section entitled "Industry" in this REIT Plan. Through our first building, Solaris One, which our Company has owned since 2008, we have gained valuable knowledge and experience regarding the real estate market in Makati.

Our Properties provide Grade A office space for major domestic and international corporations. The Grade A classification of the buildings was determined based on industry criteria and subject to comparison with other similar developments. Grade A buildings are often in high-demand due to their location, facilities, layout and finishing among other factors. Our Company has obtained PEZA accreditation for the buildings, which feature amenities and technology for lessees that cater to the high-speed fiber-optic data telecommunications systems of telecommunications providers; the Properties also have clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems. PEZA accreditation enables our tenants to enjoy available fiscal and non-fiscal incentives under this tax regime such as a special tax rate of 5% on gross income, Income Tax Holidays and Exemption from creditable withholding taxes, among others. PEZA-related incentives will remain as long as the Company maintains their compliance with PEZA regulations and requirements. Our premier Properties have proven attractive to lessees who are leaders in their industries, including, among others, the Bank of the Philippine Islands, Shell Shared Services (Asia) B.V. – Philippine Branch, Concentrix CVG Philippines, Inc., ANZ Global Services and Operations (Manila), Inc., and, as of February 1, 2020, TELUS International Philippines. See the section entitled "Business and Properties – the Properties – Tenant Profile" for additional information on our tenants. Moreover, supply in Makati for Grade A, PEZA-accredited buildings specifically designed for BPO operations is limited. Most of BPO companies in Makati are located in facilities that were designed as HQ Offices. A number of tenants in Ayala North Exchange transferred from such HQ Office spaces in other buildings.

In addition, as of March 31, 2020, our Sponsor owns 12,192 hectares of land across strategic locations in the Philippines, across 57 identified growth centers in the country. Ayala Land's extensive land bank includes 428 hectares in Metro Manila, 46 located directly in Makati. Much of Ayala Land's land bank, over the years, has been developed with Ayala Land commercial buildings, including Ayala Center, Ayala North Exchange, Ayala Triangle, Vertis North, Ayala PSE at One Bonifacio, Cebu IT Park, and Circuit Makati, among others. Our Company will seek to explore investments, acquisitions, or other collaborative opportunities throughout the Philippines, on terms consistent with our investment policies, with respect both to present and future Ayala Land developments and to properties owned by third parties to which we may have exposure or access to through our Sponsor or other members of the Group. One such development is Teleperformance Cebu, one of the pioneer BPO Buildings in Metro Cebu, owned by APRC, a wholly-owned Subsidiary of Ayala Land, and constructed over a plot of land owned by our Sponsor. Taking advantage of our exposure to our Sponsor's holdings, we intend to expand our building portfolio by acquiring a fourth property, Teleperformance Cebu, from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, after the Primary Offer.

The association between our Company and our Sponsor offers various growth avenues for AREIT. Working together with our Sponsor, our Company is committed to growing AREIT through acquisition of relevant assets from our Sponsor or third parties under mutually acceptable terms. In the future, we will continuously seek to leverage our Sponsor's market knowledge, its established industry relationships, and its vast repository of real estate expertise, as well as to jointly explore potential synergies with our Sponsor, including possible opportunities with its extensive product lines, to grow our Company.

Investment in well-established commercial properties with quality tenant base, long land leases, and stable cash flow

In keeping with our planned investment strategy, as of the date of this REIT Plan, our Company has invested in the Properties, three Grade A buildings located in the heart of the country's financial center, Makati. Our first Property, Solaris One has been in operation since 2008 and has experienced consistently high occupancy rates. As of March 31, 2020, Solaris One is 100% occupied. Solaris One also benefits from having long-term, quality tenants, most of whom are recognizable multinational companies that are leaders in their fields and have strong track records of financial performance. See "Business and Properties – Solaris One – Tenant Profile" in this REIT Plan. Our second Property, Ayala North Exchange is a newly constructed building, which was fully completed in the third quarter of 2019. Our Company has nine commercial office Committed Leases, which gives Ayala North Exchange 100% occupancy in its commercial office floor area as of the date of this REIT Plan. These committed lessees are quality tenants, many of whom our Sponsor has had a previous or ongoing relationship with. Our third Property, McKinley Exchange, which we are leasing from our Sponsor effective February 1, 2020, has been in operation since the second quarter of 2015, and has been fully leased out since November 2014 with the Committed Lease of a single tenant in its office space, TELUS International Philippines, a pioneer in the BPO industry. Our Properties' tenants are acknowledged leaders in their industries, and include, among others, the Bank of the Philippine Islands, Shell Shared Services (Asia) B.V. – Philippine Branch, Concentrix CVG Philippines, Inc., ANZ Global Services and Operations (Manila), Inc., and as of February 1, 2020, TELUS International Philippines. We expect that these positive relationships will continue, providing Ayala North Exchange, Solaris One, and McKinley Exchange, a stable tenant base. Our typical commercial office leases for all of our Properties last from five to ten years, providing our Company stability in its tenant base as well as time to forge relationships with our long-term tenants.

Our Company has experienced stable cash flows from rental revenue with respect to Solaris One. In the past three years, our Properties have not experienced any material defaults in payment of rent. We expect similar stability with respect to our current Committed Leases in Ayala North Exchange, which had its first Committed Lease as early as 2015. In addition, as of the date of this REIT Plan, 100% of the office Committed Leases for Ayala North Exchange are until 2023 or later. Our third building, McKinley Exchange, which we are leasing from our Sponsor effective February 1, 2020, has been in operation since the second quarter of 2015, and has been fully leased out since November 2014 with the Committed Lease of a single tenant in its office space, TELUS International Philippines, a pioneer in the BPO industry. Properties of our Company have clearly shown a good 3-year track of committed leases that translated to stable cash flows from commencement of building operations.

Our Company is also not subject to the effects of seasonality or other sales cycles, as our rent terms are fixed and apply uniformly across the lease terms. Additionally, our standard lease terms incorporate steep penalties in the event of a tenant's pre-termination of its lease. Such stable cash flows have, and will continue to, allow our Company flexibility in maintaining and upgrading the Properties, to continually satisfy our tenants; in seeking further investment opportunities, whether expansion of our existing Properties or acquisition of additional properties; and in making regular distributions to our Company's Shareholders.

Opportunities for growth through rent escalation/revision, active asset management, asset enhancement, and acquisitions

Our current Committed Leases structurally provide our Company with opportunities for growth, which is primed to continue into the future. The total Gross Revenue from the Properties has increased during the four years ended December 31, 2019 primarily due to higher rental rates being obtained on new leases or on renewals of existing leases in Solaris One as Ayala North Exchange had only been fully completed in the third quarter of 2019. In the coming years, we expect our total Gross Revenue to increase dramatically, with the inclusion of McKinley Exchange into the portfolio as of February 1, 2020, and with Ayala North Exchange becoming the leading income contributor of our Properties. We similarly expect our intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, and our potential investment in other properties to boost our revenue.

In addition to benefitting from our expanded business through Ayala North Exchange and McKinley Exchange, our Company will benefit from its active investment strategy. Our Property Manager, having significant experience with our Group, will actively seek to promote growth in our Company's Gross Revenue through (i) obtaining better lease terms, in particular, through securing higher rents and (ii) optimizing the use of existing leasable area at the Properties. Our Fund Manager aims to grow our Company's Gross Revenue and Net Operating Income on an annual basis in 2020 and beyond. As of the date of this REIT Plan, all of the Committed Leases for Solaris One, and McKinley Exchange, and the majority of the Committed Leases for Ayala North Exchange contain step-up provisions, whereby the tenant's rent is increased by a fixed percentage annually (which typically ranges from 3-10% over the preceding year) during the lease term. We also expect that our Property Manager, with oversight from our Fund Manager, will negotiate terms of rental rate escalation with our tenants when current leases with below-market rents expire, in order to match increased rental rates in the market.

Our Company also benefits from the flexibility of our future growth plans, as determined by our Company and our Fund Manager. These plans may include optimization of the use of existing leasable area in the Properties through more efficient use of spaces and resources or by acquiring additional properties. Ongoing industry research gives our Fund Manager access to information on changes in trends and allows our Property Manager to tailor the Company's tenant mix to movements in the Philippines and global economy. We believe that the Properties can continue to be desirable locations for multinational corporations by combining a diverse mix of Anchor Locators and specialty retailers, competitive amenities, and responsive tenant services. Our Company also has the flexibility to improve revenues by pursuing expansions and renovations of the Properties or acquisitions of additional properties. Our Fund Manager will monitor the real estate market for desirable opportunities. Our relationship with our Sponsor gives our Company particular insight into opportunities presented by the Group and increased knowledge about and expansive network within the Philippine real estate market. Our Company will also consider potential property acquisitions from third parties, if we are able to identify attractive opportunities on the market.

Inflation-hedged yields with stable and escalating distribution

Our Company believes that the income stream of the Properties is well supported by present Committed Leases and long-term tenants. Over the past three years, we have not experienced any material defaults from our tenants with respect to their rental payments. Given the long-term relationships with our tenants, the long lease terms they typically sign (our commercial office lease terms generally run between five and ten years), and their successful track record, we believe that the Properties would be resilient in the event of a downturn in the domestic, regional, or global economy. In addition, over the last three years, the Properties have benefited from high occupancy levels, with average occupancy levels for the Properties of 98.3%. The ten largest tenants in terms of Gross Leasable Area in the Properties accounted for 74.4% of total Rental Income for the year ended December 31, 2019, and 78.0% of total Rental Income for the three-month period ended March 31, 2020. As of March 31, 2020, no more than 26.4% of total Rental

Income from the Properties was derived from any one tenant. Considering however, that the lease of McKinley Exchange only commenced on February 1, 2020, the figures herein presented do not include the historical data of McKinley Exchange. Based on BSP Data[8], the average inflation since 2014 is computed at 2.7%. The Company's leases are generally subject to annual escalation rate of 3-10% which is higher than average inflation for the said period. Please note that while the leases are subject to 3-10% escalation, the rental income per audited financial statements may not exactly show an annual increase of 3-10% due to straight-line rent adjustments required by the accounting standards. Further, our Company's projection on dividend yield at 4.9% and 5.9% in 2020 and 2021 is generally higher than the average inflation rates from 2016 to 2019 (at 1.3% for 2016, 2.9% for 2017, 5.2% for 2018, and 2.5% for 2019).[9] See the section entitled "Profit Forecast and Profit Projection" in this REIT Plan.

In addition, we expect similar factors to provide our Company with opportunities for increased growth into the future. Rental escalation provisions built in to our current Committed Leases, the replacement of old leases with new leases at higher rates, the full leasing of Ayala North Exchange, and McKinley Exchange, and the potential addition of high-quality properties to our portfolio, including our intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, will boost our revenue significantly and allow us to provide increasing dividend distributions to our Shareholders.

Experienced, committed, and professional management team with over 80 years of accumulated experience

Our Company's management team is comprised of individuals who have spent their careers in the Philippine real estate industry and have gained valuable experience as long-time employees of the Group. Combining leading-edge product innovation with prudent and effective risk management practices, the Group manages a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the real estate industry. The Group employs a proven and highly-credible management talent pool across all levels of the organization, most with experience across multiple business lines. Indeed, Ayala Land consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices. The valuable experience gained in management positions throughout the Group enhance our Company's management team's ability to understand the dynamic Philippine real estate market and to coordinate seamlessly with our Company's Related Parties, including our Sponsor.

Business Strategies

The Company's principal investment strategy is to invest in income-generating real estate that meet a select set of criteria. Please see the section entitled "Business and Properties – Investment Policy" in this REIT Plan. Through the performance of services by our Fund Manager, following the requirements of the REIT Law, the Company and our Fund Manager will seek to procure and secure growing income that provides Competitive Investment Return to investors. Further to this, by performing its functions, our Fund Manager intends to maximize the investment returns by growing the Gross Revenue as well as the Net Operating Income from the existing Properties over time through active management of the Properties. Both our Fund Manager and our Property Manager have significant experience with the extensive property business of our Group and will work together to ensure that the Company fulfills the objectives of its investment strategy.

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[8] Source: http://www.bsp.gov.ph/statistics/spei_new/tab34_inf.htm.

[9] The dividend yields set out in the section entitled "Profit Forecast and Profit Projection" of this REIT Plan are calculated based on the Offer Price and the assumptions set out therein. Such yields will vary accordingly for investors who purchase Shares in the secondary market at a market price that differs from the Offer Price.

Our Fund Manager plans to achieve its key objectives for our Company through the following strategies:

- **Pro-active asset management and asset enhancement strategy.** Our Fund Manager will actively manage AREIT's property portfolio to achieve growth in revenue and net operating income and maintain optimal occupancy levels. Our Fund Manager and our Property Manager will help drive organic growth, build strong relationships with the customers of the Properties, and seek enhancement and growth opportunities within the existing Properties.

- **Investments and acquisition growth strategy.** Our Fund Manager will achieve portfolio growth through the acquisition of quality income-producing commercial properties that fit within AREIT's investment strategy to enhance total return for Shareholders and increase potential opportunities for future income and capital growth. In executing this strategy, AREIT will endeavor to acquire properties situated in high-growth areas to cater to economic growth.

- **Capital and risk management strategy.** Our Fund Manager will seek to manage and source capital so as to maximize overall returns for Shareholders. This may include accessing various capital markets to source appropriately priced and structured debt and equity, monitoring and implementing hedging arrangements as well as assessing alternative forms of capital and other capital management strategies where appropriate. Our Fund Manager may use financial instruments such as interest rate swaps to hedge certain financial risk exposures.

These strategies are discussed in additional detail below.

Pro-active Identification of Asset Growth Opportunities

To enhance the value of our Company's portfolio, our Fund Manager, pursuant to the Fund Management Agreement and consistent with our Company's investment strategy and the REIT Law, is primarily required to, among other things:

- Determine asset allocation to allowable investment outlets to enable our Company to improve yields

- Objectively evaluate whether properties targeted for acquisition meet our Company's rigorous investment criteria, and provide advice and recommendations to our Company accordingly;

- Continuously measure, monitor, and assess asset performance and valuation; and

- Perform all such acts necessary to ensure that our Company can maximize the value of its assets and deliver higher returns in line with its investment strategy.

Our Fund Manager will rely on the experience of its management to implement the pursued strategies. See the section entitled "Our Fund Manager and our Property Manager – Our Fund Manager" in this REIT Plan for more details on our Fund Manager's leadership.

Pro-active Asset Management

To enhance the value of our Properties, our Property Manager, pursuant to the Property Management Agreement and consistent with our Company's investment strategy and the REIT Law, is primarily required to, among other things:

- Formulate and implement leasing and marketing strategies to minimize vacancies and optimize occupancy levels;

- Administer, negotiate, execute, and enforce lease contracts;

- Plan, analyze, and optimize tenant mixes, rental rates, and policies in relation to industry and market standards;
- Continuously seek and implement asset enhancement and improvement opportunities and initiatives;
- Supervise billing and collections activities, enforce tenancy conditions, monitor past-due accounts, and manage rental arrears to minimize bad debts; and
- Perform all acts and functions relating to property management, including, but not limited to, providing routine property management services, conducting building management operations, ensuring compliance with applicable laws and regulations, and addressing all key operational issues to ensure alignment with our Company's strategy.

Our Property Manager will rely on the experience of its management to implement the pursued strategies. See the section entitled "Our Fund Manager and our Property Manager – Our Property Manager" in this REIT Plan for more details on our Property Manager's leadership. Our Property Manager will also rely on the market information and institutional knowledge available to it and the Company due to the nature and experience of our Sponsor.

Active Leasing Strategy

While the Properties currently enjoy very high occupancy levels, our Fund Manager will work with our Property Manager to manage lease renewals and new leases diligently in order to minimize void periods arising due to either lease expiries or early terminations. This may be achieved through the following strategies:

- advance lease negotiations with tenants whose leases are about to expire;
- preparing to have new tenants lined up in preparation for vacant space; and
- monitoring rent arrears to minimize defaults by tenants.

In addition, our Fund Manager will work with our Property Manager towards growing the Net Operating Income earned through pursuing an active leasing strategy. The Company expects this strategy to be implemented in two principal ways:

- maintaining and expanding the fixed increases in the rental rates of tenants during the course of the term, which are already present in most of the Properties' leases. We expect that this feature will also be present in most, if not all, future lease contracts; and
- negotiating increased rental rates, when current leases with below-market rents expire.

As leases expire, the Company will have the opportunity to change rental rates, to revise lease terms and conditions, to relocate existing tenants, and to reconfigure or expand tenant spaces.

Continued Improvement of Tenant Mix

Ongoing industry research gives our Fund Manager access to information on changes in trends and allows the Company, through our Property Manager, to tailor its tenant mix to movements in the Philippines and global economy. Our connection with our Sponsor gives us insight into the knowledge and experience of the Group.

We believe that the Properties can continue to be desirable destinations for well-established, stable multinational corporations by combining:

- a diverse group of Anchor Locators and specialty retailers;
- a prime location in the financial center of the Philippines;
- Grade A, HQ Office and BPO office space;
- PEZA-accreditation;
- ample car-parking space; and
- responsive building management.

In order to enhance each Property's appeal to a broad range of companies, our Property Manager will monitor the mix of tenants in each of the Properties in relation to industry or market standards and requirements. Generally, we target well-established, corporate and retail clients. Most of our Properties' current tenants were sourced through our Company's direct relationship with the tenant or through real estate brokers, whereby we were able to be selective with our chosen tenants. Our Property Manager's goal will be for each Property to generate high levels of interest in companies seeking corporate locations, thereby increasing both the potential for the relevant Property to receive a higher percentage of income from returning lessees and the likelihood of the relevant Property receiving higher rents from new tenants.

Delivering Superior Service to Tenants

To maintain our Company's reputation among our current tenants and potential future tenants, we expect our Fund Manager, in accordance with our investment strategies, to work with our Property Manager to ensure that the tenants in the Properties continues to receive superior services, such as:

- providing high quality asset management services to maintain high retention rates;
- facilitating relocation or expansion of tenants according to their operational requirements; and
- rapidly responding to tenants' feedback and enquiries.

Minimization of Operating Costs

In order to deliver optimal returns, we expect that our Property Manager, in accordance with our investment strategies, will strive to keep property operating expenses at each of the Properties low without compromising quality of services. These costs will include maintenance of common areas, property taxes, and property insurance. To minimize cost, we expect our Fund Manager, in coordination with our Property Manager, to exploit the benefits of scale from operating a portfolio of assets by, for example, organizing programs for bulk purchases of supplies and introducing systems to share successful cost-savings programs among the Properties. Our Property Manager will continue the existing conservation efforts in place in each of the Properties as well as explore implementing additional energy conservation initiatives to improve the efficiency of building operations and to reduce utilities costs.

Growth through Potential Investments

As of the date of this REIT Plan, our Company's property portfolio consists of three commercial properties located in the Makati CBD. Following the Offer, our Fund Manager will actively consider and solicit opportunities, consistent with our investment strategies, to grow our portfolio and invest in commercial buildings, such as our intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, using the net proceeds from the Primary Offer, as well as pursue other types of real estate opportunities, including potential investments in the retail, residential, industrial, warehouse, etc., real property sectors, that meet our Company's investment criteria for Grade A, centrally located, stably occupied and income producing properties.

The association between our Company and our Sponsor offers various growth avenues for AREIT. Working together with our Sponsor, our Company is committed to growing AREIT through acquisition of relevant assets from our Sponsor or third parties under mutually acceptable terms. In the future, we will continuously seek to leverage our Sponsor's market knowledge, its established industry relationships, and its vast repository of real estate expertise, as well as to jointly explore potential synergies with our Sponsor, including possible opportunities with its extensive product lines, to grow our Company.

Pursuant to our investment policy, while our current investment focus is on properties in Metro Manila and other key urbanized provinces in the Philippines, as with our assessment of various types of real estate, our focus is not limited, and our Fund Manager, consistent with our investment strategies, will assess and pursue attractive opportunities that arise through our connection with our Sponsor, third parties, and throughout the wider market.

We intend to initiate this growth through additional property investment after the Offer. Teleperformance Cebu, formerly known as Aegis Towers 1 and 2, is a Grade A, mixed-use development owned by APRC, a wholly-owned subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2010 with a combined GLA of 17,947.96 sq.m., constructed on a 3,621 sq.m. parcel of land owned by our Sponsor, and located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City. Taking advantage of our exposure to our Sponsor's holdings, we intend to consummate the acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, using the net proceeds from the Primary Offer. We expect this addition to occur after the Offer but not later than December 31, 2020, unless such date is mutually extended by APRC and our Company with such extension being for no more than six months from December 31, 2020. See "Business and Properties – Teleperformance Cebu" in this REIT Plan.

We plan to hold the Properties and other potential investments on a long-term basis. In the future, however, if our Fund Manager considers that any property affords a limited scope for income growth, our Fund Manager may consider and pursue various exit options and make corresponding strategic recommendations to the Company to sell or otherwise divest of its rights in the property and use the proceeds from such divestment to invest in new yield-accretive properties with greater potential for growth.

Capital and Risk Management

Our expectation is that our Fund Manager, pursuant to our investment strategies, will endeavor to employ an appropriate mix of debt and equity in financing operations and maintenance of the Properties as well as of any future acquisitions. As such, our Fund Manager will adopt financing policies to optimize risk-adjusted returns to Shareholders. Depending on the situation, such policies may entail the Company accessing various capital markets to source appropriately priced and structured debt and equity as well as assessing alternative forms of capital and other capital management strategies where appropriate.

Dividend Policy

As of the date of this REIT Plan, our Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which our Company's shareholders may be entitled to receive at least 90% of our annual Distributable Income. Over the last three years, we have distributed at least 85% of our prior year's Distributable Income to our shareholders, thus:

	Dividends	Prior Year Net Income	% of Dividends
2017	362,500,000	425,775,536	85%
2018	384,000,000	446,780,761	86%
2019	961,297,669	537,091,374	179%

Following the Offer, we intend to maintain an annual cash dividend payout ratio of at least 90% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law, the terms and conditions of our outstanding loan facilities, and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, special circumstances which may restrict the payment of such amount of dividends, including, but not limited to, special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

The failure to distribute at least 90% of the annual Distributable Income will subject our Company, if such failure remains un-remedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by our Company may be disallowed as a deduction for purposes of determining taxable net income. For a more detailed discussion on our Company's dividend policy, see the section entitled "Dividends and Dividend Policy" in this REIT Plan.

Our Fund Manager

AREIT Fund Managers, Inc. (formerly named AyalaLand Commercial REIT, Inc.)

Our Fund Manager, AREIT Fund Managers, Inc. (formerly AyalaLand Commercial REIT, Inc.), is a corporation, incorporated under the laws of the Philippines. Formerly named AyalaLand Commercial REIT, Inc., our Fund Manager filed for amendment to change its name and primary purpose with the SEC on February 27, 2020.[10] Its registered office is at 32nd Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines. Our Fund Manager is a wholly-owned Subsidiary of Ayala Land.

Our Fund Manager has general power of management over the assets of our Company, pursuant to the Fund Management Agreement, a five-year, renewable agreement defining the relationship between the Company and our Fund Manager. See the section entitled "Certain Agreements Relating to our Company and the Properties – Fund Management Agreement" in this REIT Plan. Our Fund Manager's main responsibility is to manage our Company's assets and liabilities for the benefit of our Shareholders. Our Fund Manager will manage the assets of our Company with a focus on generating Rental Income and, if appropriate, increasing our Company's assets over time so as to enhance the returns from the investments of our Company and, ultimately, the distributions to our Shareholders. For a more detailed discussion on our Company's strategy, see the section entitled "Business and Properties – Business Strategies" in this REIT Plan.

[10] The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.

Fund Management Fee

Under the Fund Management Agreement, our Fund Manager will receive a Management Fee, equivalent to 0.10% of the Deposited Property Value plus 3.5% of the EBITDA before deduction of fees payable to our Fund Manager and Property Manager and after deducting interest expense on lease liabilities for the relevant period, exclusive of value-added taxes. Our Fund Manager shall likewise be entitled to an Acquisition Fee equivalent to 1% of the acquisition price, for every acquisition made by it on behalf of our Company, exclusive of value-added taxes, as well as a Divestment Fee of 0.50% of the sales price for every property divested by it on behalf of our Company, exclusive of value-added taxes. The total amount of the management fee, acquisition fee, and divestment fee, paid to our Fund Manager in any given year shall not exceed 1% of the Net Asset Value of the properties under management, as provided under the rules of the REIT Law (the Management Fee, Acquisition Fee, and Divestment Fee shall be collectively referred to as "**Fund Management Fee**"). The Fund Management Fee is structured to align the interests of our Fund Manager and the Shareholders. As such, the Fund Management Fee is calculated based on the Deposited Property Value plus the Company's EBITDA prior to deduction of the fees payable to our Fund Manager and our Property Manager. For purposes of calculating the Fund Management Fee, Deposited Property Value is defined as the total value of the Company's assets reflecting the fair market value of the total assets held by the Company and under management by our Fund Manager. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = *(0.0010 x Deposited Property Value for the relevant period)*
+ (0.035 x EBITDA before deduction of fees payable to our Fund Manager and Property Manager and after deducting interest expense on lease liabilities for the relevant period)
+ (0.01 x acquisition price for every acquisition made, if applicable)
+ (0.0050 x sales price for every property divested, if applicable)

The Fund Management Fee shall be due and payable to our Fund Manager in quarterly installments. The relevant period refers to the quarter for which the Fund Management Fee is to be applied.

Our Property Manager

AREIT Property Managers, Inc.

Our Property Manager, AREIT Property Managers, Inc., is a corporation, incorporated under the laws of the Philippines. Formerly named Next Urban Alliance Development Corp., our Property Manager changed its name on April 16, 2019. Its registered office is at 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Philippines. Our Property Manager is a wholly-owned Subsidiary of Ayala Land.

Our Property Manager performs day-to-day property management functions at the Properties pursuant to the Property Management Agreement, a five-year, renewable agreement defining the relationship between the Company and our Property Manager. See the section entitled "Certain Agreements Relating to our Company and the Properties – Property Management Agreement" in this REIT Plan. These functions include managing the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the Properties. In addition, our Property Manager will oversee the overall management of, maintenance and repair of the structure and utilities of the Properties; formulation and implementation of policies and programs in respect of building management; maintenance and improvement; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee building management operations.

Property Management Fee

Under the Property Management Agreement, our Property Manager will receive a management fee comprising 3% of our Company's Gross Rental Income and Interest Income from finance lease per year, plus 2% of our Company's EBITDA before deducting fees payable to our Fund Manager and Property Manager and after deducting interest expense from lease liabilities for the relevant period, exclusive of value-added tax, provided that such fee shall not exceed 1% of the Net Asset Value of the properties under management, as provided under the rules of the REIT Law (the "**Property Management Fee**"). The Property Management Fee is structured to ensure that our Property Manager provides superior service to our Company and the Properties that our Property Manager oversees. As such, the Property Management fee is calculated based on the Company's Gross Rental Income and EBITDA. For the avoidance of doubt, the Company's EBITDA includes interest income from finance lease. For purposes of calculating the Property Management Fee, Gross Rental Income is defined as the total amount payable by all tenants and licensees pursuant to a lease or license, which includes rent and fees payable under such lease or license agreement and related service charges. In computing the Property Management Fee, the formula to be used shall be as follows:

Property Management Fee = *(0.03 x Gross Rental Income and Interest Income from finance lease for the relevant period)*
+ (0.02 x EBITDA prior to deducting fees for Fund Manager and Property Manager and after deducting interest expense from lease liabilities for the relevant period)

The Property Management Fee shall be due and payable to our Property Manager in quarterly installments. The relevant period refers to the quarter for which the Property Management Fee is to be applied.

Presentation of Financial and other Information

Prior to April 12, 2019, our Company was called One Dela Rosa Property Development, Inc. The audited financial information presented in this REIT Plan is derived from the audited financial statements of our Company under its former name for the years preceding 2019. From April 12, 2019, the audited financial statements of our Company bear its present name, AREIT, Inc.

On October 2, 2018, our Company acquired Ayala North Exchange from our Sponsor pursuant to a Deed of Assignment which became effective on October 5, 2018. Likewise, effective February 1, 2020, our Company leased the retail and office building of McKinley Exchange from our Sponsor pursuant to the Contract of Lease dated January 31, 2020. Accordingly, while our Company has an established operating history with respect to Solaris One which was built in 2008, we do not have such an operating history with respect to Ayala North Exchange, and McKinley Exchange.

Investor Relations Office and Compliance Office

Our Investor Relations Office will be tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively, and sufficiently communicating and relating relevant information to our Company's shareholders as well as to the broader investor community.

Michael Anthony L. Garcia, our Investor Relations Officer ("**IRO**"), will serve as our designated investor relations manager and head of our Investor Relations Office. The IRO will also be responsible for (i) ensuring that our shareholders have timely and uniform access to official announcements, disclosures, and market-sensitive information relating to our Company, (ii) preparing disclosure documents to the SEC and the PSE, and (iii) disseminating the Manual and conducting the orientation program for the Board and senior management. As our officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of our shareholder meetings, press conferences, investor briefings, management of the investor relations portion of our website, and the preparation of our periodic reports. The IRO will also be responsible for conveying information such as our policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of our operations and performance.

Elaine Marie F. Alzona, the Chief Financial Officer of our Company, will also serve as our Chief Compliance Officer to ensure that we comply with, and file on a timely basis, all required disclosures and continuing requirements of the Philippine SEC and the PSE.

Our Investor Relations Office is located at 28th Floor, Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, the Philippines.

SUMMARY OF THE OFFER

Issuer	AREIT, Inc., a corporation organized under Philippine law. The trading symbol shall be "AREIT".
Sponsor	Ayala Land, Inc., acting directly, or indirectly through its wholly-owned Subsidiary, AyalaLand Offices.
Sole Global Coordinator	BPI Capital Corporation[11]
Joint Bookrunners	BPI Capital Corporation and UBS AG Singapore Branch
Joint Lead Underwriters	BPI Capital Corporation PNB Capital and Investment Corporation SB Capital Investment Corporation
Stabilizing Agent	BPI Capital Corporation, in its role as stabilizing agent, whereby it may engage in stabilization activities relating to any over-allocation of Shares from the Selling Shareholder for a period beginning on the Listing Date and ending on a date no later than 30 calendar days from and including the Listing Date.
Stock Transfer Agent	BPI Stock Transfer Office
Receiving Agent	BPI Stock Transfer Office
Escrow Agent	BPI Securities Corporation
Governing Law	The law of the Republic of the Philippines
Counsel for the Issuer as to United States Federal and New York State law	Allen & Overy LLP
Counsel for the Issuer as to Philippine Law	Angara Abello Concepcion Regala & Cruz Law Offices
Counsel for the Underwriters as to United States Federal and New York State law	Latham & Watkins LLP
Counsel for the Underwriters as to Philippine Law	Picazo Buyco Tan Fider & Santos Law Offices
Fund Manager	AREIT Fund Managers, Inc. (formerly named AyalaLand Commercial REIT, Inc.)[12]
Property Manager	AREIT Property Managers, Inc. (formerly named Next Urban Alliance Development Corp.)

[11] BPI Capital Corporation and AREIT, Inc. are affiliates which are ultimately owned by Ayala Corporation. BPI Capital Corporation is 100% owned by the Bank of the Philippine Islands, which is 22.19% owned by Ayala Corporation. On the other hand, pre-listing, AREIT, Inc. is 90.15% and 9.85% owned by Ayala Land, Inc., and AyalaLand Offices, Inc., respectively. AyalaLand Offices, Inc. is 100% owned by Ayala Land, Inc. Ayala Land, Inc. is 44.48% owned by Ayala Corporation.

[12] The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.

Firm Shares	456,883,000 Shares to be issued and offered by our Company pursuant to the Firm Offer.
Optional Shares	Up to 45,688,700 Shares to be sold by the Selling Shareholder and purchased by the Stabilizing Agent upon exercise of the Over-allocation Option.
Offer Shares	The Firm Shares and the Optional Shares.
The Offer	The offer and sale of 456,883,000 Shares of the Company, consisting of 47,864,000 new common shares to be issued and offered by the Company by way of a Primary Offer, 409,019,000 existing common shares offered by the Selling Shareholder pursuant to a Secondary Offer, and an offer of up to 45,688,700 Optional Shares pursuant to the Over-allocation Option (as described below).
Institutional Offer	319,818,100 Firm Shares, or approximately 70% of the Firm Shares, are being offered and sold (i) outside the United States by the International Joint Bookrunner in offshore transactions in reliance on Regulation S of the Securities Act, and (ii) to certain Domestic QIBs and other investors by the Joint Lead Underwriters in the Philippines. The Optional Shares will form part of the Institutional Offer.
Trading Participants and Retail Offer	137,064,900 Firm Shares are being offered in the Trading Participants and Retail Offer in the Philippines at the Offer Price. Out of the Trading Participants and Retail Offer, 91,376,600 Firm Shares (or approximately 20% of the Firm Shares) are being allocated to all of the Eligible PSE Trading Participants at the Offer Price and 45,688,300 Firm Shares (or approximately 10% of the Firm Shares) are being allocated at the Offer Price to LSIs, subject to final allocation, which shall be consistent with the applicable rules, as may be determined by the Sole Global Coordinator as Joint Bookrunner. Each Eligible PSE Trading Participant shall initially be allocated 942,000 Firm Shares[13], subject to reallocation as may be determined by the Sole Global Coordinator. Based on the initial allocation for each trading participant, there will be a total of 2,600 residual Firm Shares to be allocated as may be determined by the Sole Global Coordinator as Joint Bookrunner. Each LSI applicant may subscribe up to a maximum of 3,700 Firm Shares at the Offer Price. Subject to any reallocation to the Institutional Offer, the Joint Lead Underwriters shall purchase the Trading Participants and Retail Offer Shares not taken up by the Eligible PSE Trading Participants or clients of the Joint Lead Underwriters or the general public in the Philippines or which have been rejected or for which payment eventually did not clear due to insufficient funds pursuant to the terms and conditions of the Underwriting Agreement.

[13] Computed on the basis of 97 Eligible PSE Trading Participants that have complied with all the requirements under the PSE Amended Listing Rules for Real Estate Investment Trust dated February 7, 2020.

LSIs shall subscribe through the PSE Electronic Allocation System ("PSE Easy"). As defined under the PSE Rules, an LSI is a share subscriber who is willing to subscribe or purchase a minimum board lot or whose subscription or purchase does not exceed ₱100,000.00 under the LSI program. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Firm Shares in the LSI program exceed its maximum allocation, the Sole Global Coordinator as Joint Bookrunner shall allocate the Firm Shares ensuring equitable distribution by satisfying first the application of investors with the smallest orders.

Eligible Investors . . . . The Trading Participants and Retail Offer Shares may be purchased by any natural person of legal age residing in the Philippines regardless of nationality, or any corporation, association, partnership, trust account, fund, or entity residing in and organized under the laws of the Philippines, regardless of nationality, subject to the restrictions on ownership, as described below, and our right to reject an Application or reduce the number of our Firm Shares applied for subscription.

The Institutional Offer Shares are being offered for sale (i) outside the United States by the International Joint Bookrunner in offshore transactions in reliance on Regulation S of the Securities Act, and (ii) to certain Domestic QIBs and other investors in the Philippines, by the Joint Lead Underwriters.

Purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.

Restriction on Ownership . . . The Offer Shares may be subscribed by any individual of legal age, or by any corporation, association, partnership, or trust, regardless of citizenship or nationality, subject to nationality limits under Philippine laws.

However, the Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in nationalized or partly nationalized activities, including land ownership. As of the date of this REIT Plan, our Company does not own land. Nevertheless, because our Articles of Incorporation authorizes our Company to acquire land, which may include land in the Philippines, foreign shareholdings in our Company may not exceed 40% of our total issued and outstanding capital stock.

For more information relating to restrictions on the ownership of the Shares, please see the sections entitled "Risk Factors,""Business and Properties,"and "Regulatory and Environmental Matters – Nationality Restriction" in this REIT Plan.

In the event that foreign ownership of our Company's outstanding capital stock will exceed such allowable maximum percentage, we have the right to reject a transfer request by a stockholder to persons other than Philippine Nationals and the right not to record such purchases in our books.

Moreover, if any share is inadvertently issued and/or transferred in violation of the said restriction, the shares issued and/or transferred in excess of the allowable maximum percentage shall be null and void, and our Company may immediately proceed to cancel and demand the surrender of the certificate of stock covering such shares. Should any stockholder acquire shares in excess of the foregoing restriction, such stockholder shall not be considered a stockholder and shall have no right with respect to such shares except to demand payment therefor from our Company or transferor, as the case may be, or to dispose of the same to qualified shareholders within 30 days of receipt of notice from our Company.

Foreign investors interested in subscribing or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence, or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.

Offer Price . . . . ₱27.00 per Offer Share. The Offer Price has been determined based on a bookbuilding process and discussions between our Company, the Joint Bookrunners and the Joint Lead Underwriters.

Over-allocation Option . . . . . Subject to the approval of the SEC, the Selling Shareholder, and our Company have granted the Stabilizing Agent an option, exercisable in whole or in part, to purchase the Optional Shares to be sold by the Selling Shareholder at the Offer Price, on the same terms and conditions as the Firm Shares as set out in this REIT Plan, to cover over-allocations, if any. The Over-allocation Option is exercisable from and including 30 calendar days after the Listing Date. See the section entitled "Plan of Distribution – The Over-allocation Option" in this REIT Plan.

Offer Period . . . . The Offer Period shall begin at 9:00 a.m. (Manila time) on July 27, 2020 and end at 12:00 noon (Manila time) on August 3, 2020. Our Company and the Sole Global Coordinator reserve the right to extend or shorten the Offer Period, subject to the approval of the PSE and the SEC.

Applications must be received by the Receiving Agent not later than 12:00 noon, Manila Time on August 3, 2020, whether filed through a participating PSE Trading Participant or the Joint Lead Underwriters or filed directly with the Receiving Agent or through PSE EASy for LSI applications. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to the Receiving Agent, and shall be subject to the terms and conditions of the Offer as stated in this REIT Plan and in the Application. The actual subscription and/or purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE.

Minimum Subscription	Each application must be for a minimum of 100 Firm Shares, and thereafter, in multiples of 100 Firm Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at our Company's discretion.
Use of Proceeds	We intend to use the net proceeds from the Primary Offer to fund our Company's intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative building from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria. See the section entitled "Use of Proceeds" in this REIT Plan for further details.
Reallocation	The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be determined by the Joint Lead Underwriters and the Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Firm Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. Unless otherwise agreed by the Joint Bookrunners and the Joint Lead Underwriters, the reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer. The Optional Shares may be allocated among the Joint Bookrunners and the Joint Lead Underwriters pursuant to a separate agreement among them.

Stabilization .... In connection with the Offer, the Stabilizing Agent (or any of its affiliates or other persons acting on its behalf) may, in consultation with the Joint Lead Underwriters and the International Joint Bookrunner and at their discretion, over-allocate or effect transactions which stabilize or maintain the market price of the Offer Shares at levels which might not otherwise prevail in the open market. However, there is no assurance that the Stabilizing Agent (or any of its affiliates or other persons acting on its behalf) will undertake stabilizing action. Such transactions may be effected on the PSE in compliance with all applicable laws and regulations. Such transactions may commence on or after the date of commencement of trading in the Shares on the PSE and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the Listing Date or (ii) the date when the Stabilizing Agent (or any of its affiliates or other persons acting on its behalf) has bought on the PSE an aggregate of 45,688,700 Offer Shares, representing not more than 10% of the total number of Shares in the Offer, at the Offer Price. See "Plan of Distribution – The Over-allocation Option" for further details.

Lock-up .... The PSE Consolidated Listing and Disclosure Rules (the "**PSE Listing Rules**") require an applicant company for the Main Board to cause its existing shareholders owning at least 10% of the outstanding shares of the company not to sell, assign, or in any manner dispose of their shares for a period of 180 calendar days after the listing of the shares. In addition, under the PSE Listing Rules, if there is any issuance or transfer of shares (i.e., private placements, asset for shares swaps, or similar transactions) or instruments which lead to issuance of shares (i.e., convertible bonds, warrants, or similar instruments) done and fully paid for within 180 calendar days prior to the listing date, and the transaction price is lower than that of the listing price, all shares availed of shall be subject to a lock-up period of at least 365 calendar days from full payment of the aforesaid shares.

The following shall be subject to the 180-day lock-up period:

Shareholder	**No. of Common Shares Held before the Offer**	**% Total of Shareholding before the Offer**	**% Total of Shareholding after the Offer**	**No. of Shares Subject to 180-day Lock-up Period**
Ayala Land, Inc.	881,499,993	90.15%	41.6%	426,792,293
AyalaLand Offices, Inc.	96,292,435	9.85%	9.4%	96,292,435

* *Assuming full exercise of the Over-allocation Option.*

To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository ("**PCD**") participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution. See the sections entitled "Principal Shareholders" and "Plan of Distribution – Lock-Up" in this REIT Plan.

The Company and the Selling Shareholder have agreed with the Joint Lead Underwriters and the International Joint Bookrunner that neither the Company nor the Selling Shareholder will, except for the sale of the Offer Shares, issue, offer, sell, contract to sell, pledge, or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any common shares or securities convertible or exchangeable into or exercisable for any common shares or warrants or other rights to purchase common shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 calendar days after the listing of the Shares.

Registration, Listing, and Trading . . . . Our Company has filed an application with the SEC for the registration and an application with the PSE for the listing of all its outstanding capital stock (including the Offer Shares). The SEC is expected to issue an Order of Registration and Permit to Sell on or about July 24, 2020 and the PSE Board approved the listing application on July 15, 2020, subject to compliance with certain listing conditions.

The Offer Shares are expected to be listed on the PSE Main Board under the symbol "AREIT", on or about August 13, 2020. Trading of our Company's issued and outstanding Shares that are not subject to lock-up is expected to commence on the same date.

Dividends . . . . Our Company is required to declare dividends pursuant to the REIT Law. The REIT Law requires a REIT to distribute annually a total of at least 90% of its net income as adjusted for unrealized gains and losses/expenses and impairment losses, and other items in accordance with internationally accepted accounting standards (excluding proceeds from the sale of the REIT's assets that are re-invested in the REIT within one year from the date of the sale) as dividends to its shareholders. Such dividends shall be payable only from the unrestricted retained earnings of our Company, and the income distributable as dividends by our Company shall be based on the audited financial statements for the recently completed fiscal year prior to the prescribed distribution. A REIT may declare either cash, property, or stock dividends. However, the declaration of stock dividends must be approved by at least a majority of the entire membership of our Board, including the unanimous vote of all our independent Directors, and stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular meeting or special meeting called for that purpose. Any such stock dividend declaration is also subject to the approval of the SEC within five (5) working days from receipt of the request for approval. If the SEC does not act on said request within such period, the declaration shall be deemed approved. Please see the section entitled "Dividends and Dividend Policy" in this REIT Plan for further details.

Procedure for Application for the Trading Participants and Retail Offer . . . .

For Eligible PSE Trading Participants

Application forms and signature cards may be obtained from the Joint Lead Underwriters, from the Receiving Agent, or from any participating Trading Participant. Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, contact number, taxpayer's identification number, citizenship and all other information as may be required in the application form and shall provide all the required documents. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the application.

If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:

- A certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);

- A certified true copy of the applicant's Philippine SEC certificate of registration or certificate of filing amended articles of incorporation or by-laws, as the case may be, duly certified by its corporate secretary (or managing partner in the case of a partnership);

- A duly notarized corporate secretary's certificate (or managing partner in the case of a partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Firm Shares indicated in the Application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying to the percentage of the applicant's capital or capital stock held by Philippine Nationals;

- Photocopy of two (2) valid and current government-issued IDs (e.g. SSS, GSIS, Driver's License, Passport or PRC ID) of (a) the authorized signatory/ies, duly certified as a true copy by the Corporate Secretary and (b) the Corporate Secretary, duly certified as true copy by an authorized officer of the corporation;

- An Application accompanied by the following documents (complete):

    - Duly accomplished Applications

    - The required attachments as enumerated in the Applications

    - Two (2) properly filled-out signature cards, each bearing the specimen signature of the TP's designated signatories, duly authenticated and certified by its Corporate Secretary

- Accomplished Sales Report duly certified by the respective authorized signatories of the TPs; and

- Corresponding Payment for the Trading Participants and Retail Offer Shares covered by the application

Foreign corporate and institutional applicants who qualify as Eligible Investors, as defined in the Final REIT Plan, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their Application will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed to acquire, purchase and hold the Firm Shares.

This should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participant and Retail Offer Period.

For Local Small Investors:

With respect to the LSIs, applications to purchase the Trading Participants and Retail Offer Shares must be done online through the PSE EASy. The system will generate a reference number and payment instruction. Application to subscribe for the Offer Shares must be settled within the Offer Period.

An LSI applicant should nominate in the Application the PSE Trading Participant through which its shares will be lodged. Otherwise, the Application shall not be accepted.

Further information about AREIT, details about the Offer, instructions for subscribing through PSE EASy, and list of PSE Trading Participants where LSI applicants may open trading accounts for the lodgment of the LSI applicant's LSI shares will be made available in the online IPO information center. The link to the online information center will be made available on AREIT's website in due course and in the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

In the event that an LSI Applicant does not have a TP, the LSI Applicant may open a trade account with the Sole Global Coordinator's affiliated broker, BPI Securities Corporation and nominate said entity as its endoring TP by accomplishing an account opening form (done through https://www.bpitrade.com and by clicking on "Open An Account") and submitting the same, together with any required attachments, to the relevant broker prior to submission of the Application.

LSI applications will be processed on a first-come, first-served basis while final allocation of the Trading Participants and Retail Offer Shares will be determined pursuant to allocation mechanics. This section should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website.

Payment Terms for the Trading Participants and Retail Offer	The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Payment for the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila; (ii) a manager's or cashier's check issued by an authorized bank; or (iii) BPI Mobile Banking or BPI Internet Banking via Bills Payment with biller as "AREIT IPO"; or (iv) a debit-credit instruction via Real Time Gross Settlement or direct bank fund transfer in favor of the Receiving Agent. Only a manager's or cashier's check and personal or corporate checks will be acceptable as valid mode of payment. Checks subject to clearing periods of over three (3) banking days shall not be accepted. All checks should be made payable to "AREIT IPO" crossed "Payee's Account Only" and dated the same date as the application. Checks subject to regional clearing will not be accepted. The Applications and the related payments will be received through designated methods as specified in the TP Guidelines and the LSI Guidelines, to be published by the PSE prior to the start of the Trading Participant and Retail Offer Period. Further, the modes of payment and instructions will be specified within the same guidelines. For LSI subscriptions, the purchase price may also be paid in cash following the payment instructions generated through PSE EASy. LSI applicants may check the status of their subscription applications through their PSE EASy investor accounts.
Acceptance or Rejection of Applications for the Trading Participants and Retail Offer	"Application to Subscribe" forms are subject to confirmation by the Joint Lead Underwriters and the final approval of our Company. Our Company and the Joint Lead Underwriters reserve the right to accept, reject, or scale down the number and amount of Offer Shares covered by any application. Our Company and the Sole Global Coordinator have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as our Company and the Sole Global Coordinator may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and "Application to Subscribe" forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any "Application to Subscribe" forms, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Offer Shares on the PSE.

Refunds for the Trading Participants and Retail Offer	In the event that the number of Offer Shares to be received by an Applicant, as confirmed by the Joint Lead Underwriters, is less than the number covered by its Application, or if an Application is rejected by our Company, then the Receiving Agent or the relevant Joint Lead Underwriter shall notify the Applicant in writing by August 10, 2020. The Receiving Agent or the relevant Joint Lead Underwriter shall refund, without interest, within five (5) banking days from the end of the Offer Period or until August 10, 2020, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent or the relevant Joint Lead Underwriter with whom the Applicant has filed the Application, at the Applicant's risk.
Registration and Lodgment of Shares with PDTC	The Offer Shares will be in scripless form and are required to be lodged with the PDTC upon listing. Investors may maintain the Offer Shares in scripless form or opt, at their own cost and expense, to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC's electronic system after the Offer Shares are listed on the PSE.
Tax Considerations	See the section entitled "Taxation" in this REIT Plan for information on the Philippine tax consequences of the purchase, ownership, and disposal of the Offer Shares.
Expected Timetable	The timetable of the Offer is expected to be as follows:

Pricing and allocation of the Institutional Offer Shares	July 22, 2020
Release of Listing Notice on Final Offer Price	July 24, 2020
Submission of Firm Order and Commitments by Eligible PSE Trading Participants	July 29, 2020
Trading Participants and Retail Offer Period	July 27, 2020 – August 3, 2020
Trading Participants and Retail Offer Settlement Date	August 3, 2020
Institutional Offer Settlement Date	August 13, 2020
Listing Date and commencement of trading on the PSE	August 13, 2020

The dates included above are subject to the approval of the PSE and the SEC, market, and other conditions, and may be changed.

Risks of Investing	Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. These risks are discussed in the section entitled "Risk Factors" in this REIT Plan and include: (i) general risks relating to our business; (ii) risks relating to the Philippines; (iii) risks relating to our Properties; (iv) risks relating to the Offer Shares and an investment in our Company; and (v) risks relating to the presentation of information in this REIT Plan.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables present summary financial information of our Company. This summary should be read in conjunction with the independent auditors' report and with the financial statements of our Company and notes thereto contained in this REIT Plan, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."Our Company's summary financial information as of and for the years ended December 31, 2016, 2017, 2018, and 2019 and for the three months ended March 31, 2019 and 2020[14] was derived from the audited financial statements of our Company prepared in accordance with PFRS. Our summary financial information below should not be considered indicative of the results of future operations.

Statements of Comprehensive Income

	For the year ended December 31,				For the three months ended March 31,	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	₱'000	**₱'000**	**₱'000**	**₱'000**	**₱'000**	**₱'000**
Revenue						
Rental income	545,229	551,966	696,018	1,323,923	316,957	355,992
Dues	138,186	146,235	169,314	192,321	59,549	53,344
Interest income from finance lease receivables		–	–	–	–	37,497
	683,415	698,201	865,332	1,516,244	376,506	446,833
Costs and expenses						
Direct operating expenses	146,019	145,442	181,014	436,017	103,324	126,414
General and administrative expenses	12,768	5,714	4,174	14,182	2,880	7,751
	158,787	151,156	185,188	450,199	106,204	134,165
Other income (charges)						
Gain under finance lease	–	–	–	397,139	–	–
Interest income	7,295	10,056	17,173	105,099	20,148	14,619
Interest expense	(3,182)	(4,016)	(16,810)	(12,563)	(3,706)	(18,769)
Other income	2,711	577	358	138	114	3,565
	6,824	6,617	721	489,813	16,556	(585)
Income before income tax	531,452	553,662	680,865	1,555,858	286,858	312,083
Provision for income tax	105,675	106,881	143,772	294,448	54,031	60,263
Net income	**425,777**	**446,781**	**537,093**	**1,261,410**	**232,827**	**251,820**

[14] The Company's audited financial statements for the years ended in December 31, 2016, 2017, and 2018 are under the name of One Dela Rosa Property Development, Inc. The Company's audited financial statement for the year ended in December 31, 2019 is under the name AREIT, Inc.

Statements of Financial Position

	For the year ended December 31,				Three months ended March 31,
	2016	**2017**	**2018**	**2019**	**2020**
	(₱'000)	**₱'000**	**₱'000**	**₱'000**	**₱'000**
Current assets					
Cash	32,666	17,168	26,129	122,181	187,204
Receivables	391,404	447,647	2,010,998	1,994,500	2,250,169
Other current assets	49,512	73,314	118,498	157,603	593,645
	473,582	538,129	2,155,625	2,274,284	3,031,018
Noncurrent assets					
Noncurrent portion of receivables	51,878	86,774	209,418	2,556,979	2,580,402
Investment properties[(1)]	1,198,768	1,155,750	8,188,049	6,192,374	6,149,506
Property and equipment	139	116	51	20	18
Right-of-use asset	–	–	–	–	849,080
Deferred tax assets – net	27,826	23,203	24,694	–	–
Other noncurrent assets	192,257	192,509	1,001,816	968,057	679,935
	1,470,868	1,458,352	9,424,028	9,717,430	10,258,941
Total assets	**1,944,450**	**1,996,481**	**11,579,653**	**11,991,714**	**13,289,959**
Current liabilities					
Accounts and other payables	81,719	54,085	345,208	274,478	369,166
Income tax payable	23,126	21,351	58,588	71,242	141,205
Current portion of deposits and other liabilities	8,535	9,154	30,521	166,794	136,210
Current portion of lease liability		–	–	–	30,064
Construction bonds	3,561	2,800	2,738	11,105	12,800
	116,941	87,390	437,055	523,619	689,445
Noncurrent liabilities					
Deposits and other liabilities – net of current portion	230,914	248,215	641,982	600,134	658,236
Lease liability – net of current portion	–	–	–	–	832,227
Deferred tax liabilities	–	–	–	67,232	57,504
Total noncurrent liabilities	230,914	248,215	641,982	667,366	1,547,967
Total liabilities	347,855	335,605	1,079,037	1,190,985	2,237,412
Equity					
Paid-up capital	1,636,224	1,636,224	10,451,224	10,451,224	10,451,224
Treasury shares	(633,300)	(653,300)	(673,300)	(673,300)	(673,300)
Retained Earnings	593,671	677,952	722,692	1,022,805	1,274,623
Total equity	**1,596,595**	**1,660,876**	**10,500,616**	**10,800,729**	**11,052,547**
Total liabilities and total equity	**1,944,450**	**1,996,481**	**11,579,653**	**11,991,714**	**13,289,959**

Notes:

(1) Investment property figures are measured at book value in the Company's audited financial statements.

Statements of Cash Flows

	For the year ended December 31,				Three months ended March 31,	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	₱'000	**₱'000**	**₱'000**	**₱'000**	**₱'000**	**₱'000**
Cash flow from operating activities						
Income before income tax	531,452	553,662	680,865	1,555,858	286,859	312,083
Adjustments for:						
Depreciation	44,410	47,323	76,010	190,607	47,733	51,457
Interest expense	3,182	4,016	16,810	12,563	3,706	18,769
Gain under finance lease	–	–	–	(397,139)	–	–
Interest income from finance lease receivables		–	–	–	–	(37,497)
Interest income	(7,295)	(10,056)	(17,173)	(105,099)	(20,148)	(14,619)
Operating income before working capital changes	571,749	594,945	756,512	1,256,790	318,150	330,193
Changes in operating assets and liabilities						
Decrease (increase) in:						
Receivables	5,849	(41,004)	(179,871)	(262,131)	(241,089)	(72,295)
Other assets	(8,620)	(24,314)	(854,491)	(5,345)	(85,882)	(147,919)
Increase (decrease) in:						
Accounts and other payables	20,487	(27,634)	205,736	(79,194)	(162,729)	94,688
Deposits and other liabilities	5,836	13,904	(9,991)	81,862	14,269	17,889
Construction bonds	944	(762)	(61)	8,367	3,094	1,694
Cash generated from (used in) operations	596,245	515,135	(82,166)	1,000,349	(154,187)	224,250
Interest received	7,295	10,056	17,173	58,262	20,148	14,619
Income tax paid	(94,635)	(104,032)	(108,026)	(189,868)	(5)	(28)
Net cash flows provided by (used in) operating activities	**508,905**	**421,159**	**(173,019)**	**868,743**	**(134,044)**	**238,841**
Cash flow from investing activities						
Due from related parties	(130,000)	(49,876)	(1,097,810)	199,000	184,000	(169,300)
Payments for additions to:						
Investment properties	(19,737)	(4,241)	(7,022,858)	(10,393)	(9,420)	(4,518)
Property and equipment	–	(40)	–	–	–	–
Cash flows provided by (used in) investing activities	**(149,737)**	**(54,157)**	**(8,120,668)**	**188,607**	**174,580**	**(173,818)**

	For the year ended December 31,				Three months ended March 31,	
	2016	2017	2018	2019	2019	2020
	₱'000	**₱'000**	**₱'000**	**₱'000**	**₱'000**	**₱'000**
Cash flow from financing activities						
Net proceeds from issuance of shares.	–	–	8,706,648	–	–	–
Redemption of shares	–	(20,000)	(20,000)	–	–	–
Payments of dividends	(366,500)	(362,500)	(384,000)	(961,298)	–	–
Net cash provided by (used in) financing activities	**(366,500)**	**(382,500)**	**8,302,648**	**(961,298)**	**–**	**–**
Net increase (decrease) in cash .	**(7,332)**	**(15,498)**	**8,961**	**96,052**	**40,536**	**65,023**
Cash at beginning of period . . .	**39,998**	**32,666**	**17,168**	**26,129**	**26,129**	**122,181**
Cash at end of period	**32,666**	**17,168**	**26,129**	**122,181**	**66,665**	**187,204**

Key Financial and Operating Data

	For year ended December 31,				Three months ended March 31,
Key Financial Ratios	**2016**	**2017**	**2018**	**2019**	**2020**
Recurring Income Contribution(1) . .	100%	100%	100%	100%	100%
Current Ratio(2)	4.05	6.16	4.93	4.35	4.40
Debt to Equity(3)	–	–	–	–	–
Return on Equity(4).	27%	27%	9%	12%	2%
Asset to Equity(5)	1.22	1.20	1.10	1.11	1.20

	For year ended December 31,				Three months ended March 31,
Key Operating Data	**2016**	**2017**	**2018**	**2019**	**2020**
Total Gross Leasable Area (sq.m.). .	46,767.95	46,767.95	93,126.96	142,068.30	152,755.80
Total occupancy rate (leased buildings) (%)(6).	99.5%	98.6%	98.0%	98.3%	99.9%

Notes:

(1) Our recurring income is composed of rental income, dues and interest income from finance lease which is equivalent to our total revenue. Recurring income contribution measures the stability of our income source.

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

(3) Our debt to equity ratio is derived by dividing our total loans and borrowings by total equity. Debt to equity ratio measures the degree of our financial leverage.

(4) Our return on equity is derived by dividing net income by average shareholders' equity.

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

(6) Calculated based on the ratio of Committed Leases which have commenced on the specified lease term to total GLA.

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses, rather than profit, may be incurred as a result of buying and selling securities. Our Company's past performance is not a guide to our Company's future performance. There may be a large difference between the buying price and the selling price of the Offer Shares. For investors that deal in a range of investments, each investment carries a different level of risk.

Investors should carefully consider all the information contained in this REIT Plan, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, may have an adverse effect on our business, financial condition, results of operations, the market price of the Offer Shares, and our ability to make dividend distributions to our shareholders. All or part of an investment in the Offer Shares may be lost.

This REIT Plan also contains forward-looking statements and forward-looking financial information (including a profit forecast and profit projection) that involve risks, uncertainties and assumptions. The actual results of our Company could differ materially from those anticipated in these forward-looking statements and forward-looking financial information as a result of certain factors, including the risks faced by our Company as described below and elsewhere in this REIT Plan.

The means by which we intend to address the risk factors discussed herein are principally presented under the sections entitled "Business and Properties," "Management's Discussion and Analysis of Financial Condition and Results of Operation," "Board of Directors and Senior Management – Corporate Governance," and "Certain Agreements Relating to Our Company and the Properties" in this REIT Plan.

This risk factors discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors may request publicly available information on us from the SEC. An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Shares. Each investor should consult his or her own counsel, accountant, and other advisers as to the legal, tax, business, financial, and other related aspects of an investment in the Shares.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only.

General Risks Relating to Our Business

We are exposed to risks inherent in the Philippine property market (and especially Metro Manila) as our Properties are situated in Metro Manila.

We are highly dependent on the performance of the Philippine property market since our Properties are located in the Philippines. Thus, we are directly affected by the risks that affect the Philippine property market as a whole. Many factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties which may cause asset price bubbles (i.e. when there is a gross imbalance between the supply and demand in the property market causing unusual increase in asset prices followed by a drastic drop in prices when the bubble bursts), increases and decreases in interest rates, inflationary pressures, Government-related real estate policies such as the recent lower loan-to-value ratios for commercial real estate loans and the BSP's tightening of policies related to real estate loans. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of our Properties and a decrease in our rental rates. Additionally, our Properties are currently all located in the Makati CBD, which subjects our Company to the risk of a decline in land or real estate value in Makati specifically.

There can be no assurance that the Philippine property market will continue to do well. Reduced levels of economic growth, adverse changes in the country's political or security conditions, or weaker performance of, or slowdown in, the national and local property markets may still adversely affect the demand and prices for our land developments and real estate. In particular, the global economic downturn resulting from the COVID-19 pandemic has resulted in an economic slowdown and negative business sentiment, which may have an adverse effect on the outlook on the Philippine property market and lead to an adverse change in the Philippines' macroeconomic situation generally, which could materially and adversely affect our results of operations. We cannot foresee when the disruptions of business activities caused by the outbreak of COVID-19 will cease.

Our risk is mitigated by our focus on Grade A commercial buildings located in prime locations. Our Properties are situated in the Makati CBD which is the economic center of the country and boasts the highest rental rates in Metro Manila. As such it is less susceptible to market fluctuations. We also believe that the recent positive growth in the Philippine economy will continue. In any event, we also take a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments.

There may be potential conflicts of interest between our Company, our Fund Manager, our Property Manager, and our Sponsor which may cause damage or loss to our Company and Shareholders.

Our Sponsor, its Subsidiaries, and Affiliates are engaged in the investment in, and the development of, properties in the Philippines. Our Fund Manager is a wholly-owned Subsidiary of our Sponsor. In addition, our Company has appointed AREIT Property Managers, Inc., another wholly-owned Subsidiary of our Sponsor, as our Property Manager of the Properties. Our executive officers are also compensated by our Sponsor. As a result, the strategy and activities of our Company may be influenced by the overall interests of our Sponsor, our Fund Manager, our Property Manager, or all of them. See the section entitled "Certain Agreements relating to our Company and the Properties" in this REIT Plan.

While our Company's investment plan allows the acquisition of assets from third parties, our Fund Manager may give preference and/or recommend that our Company acquire other assets from our Sponsor or parties related to our Sponsor in the future. In such cases, our Fund Manager is required to obtain valuations from independent property valuers and to comply with all other requirements applicable to such transactions under the REIT Law. Pursuant to the Company's investment strategy, such property will (1) be located in a prime location in either Metro Manila or other key provinces in the Philippines, (2) be primarily (but not exclusively) focused on commercial properties, but may be other types of real estate properties available in the market, and (3) have stable occupancy, tenancy, and income operations. See the section entitled "Business and Properties – Investment Policy".

The foregoing risks are mitigated by the fact that following the Offer both our Company and our Sponsor will be publicly listed companies subject to additional regulations regarding conflicts of interest that apply to publicly listed companies. Similarly, as our Sponsor will be a majority Shareholder in our Company, following the Offer, our interests are generally aligned. Our Company is also protected by the legally required (i) presence of independent Directors on our Board, (ii) disclosure of related party transactions, and (iii) regulated corporate governance practices of AREIT. Please see the section entitled "Board of Directors and Senior Management" in this REIT Plan. We believe that the inclusion of Ayala Land as our Sponsor and the benefits of market expertise, high-standards, and increased opportunity for our Company outweigh the risks of potential conflicts of interest.

The strong corporate governance provisions and related party transaction policies adopted by our Company, our Fund Manager, and our Property Manager also mitigate our risk of conflicts of interest. See the sections entitled "Our Fund Manager and our Property Manager – Related Party Transactions" and "Board of Directors and Senior Management" in this REIT Plan. Following current regulations, our Fund Manager and our Property Manager are required to (i) appoint independent directors who comprise majority of the members of their respective Boards of Directors, (ii) at least one of the independent directors of our Fund Manager, and at least two of the independent directors of our Property Manager must have working knowledge of the real estate industry, (iii) restrict the appointment of directors (including independent directors) of the REIT and its sponsors/promoters to a maximum of 49% of the board of the directors of our Fund Manager and our Property Manager, (iv) for our Fund Manager, comply with the track record requirement of the SEC by appointing a chief executive officer and not less than two of its full-time professional employees who all have a track record and experience in financial management as well as experience in the real estate industry for at least three years prior to their employment, and (v) for our Property Manager, employ either a real estate consultant, real estate appraiser, or a real estate assessor, and appoint two responsible officers each of whom shall have at least three years track record in property portfolio management, and at least one of them shall be available at all times to supervise the business of our Property Manager. We believe that compliance with these regulatory requirements sufficiently protect the Company, our Fund Manager, and our Property Manager, against potential conflicts of interest. In short, the parties involved in the support, management, and operation of our Company will generally be bound by the concept of commercial, arm's length dealing which will minimize the potential for conflicts of interest. Additionally, the compensation of our Fund Manager for its services is calculated as a set percentages of our Company's Deposited Property Value, EBITDA, acquisition fees, and sales prices, as may be applicable, while that of our Property Manager for acting in its role is calculated as a set percentages of our Company's Gross Rental Income, and EBITDA; the total amount of such fees shall not exceed what is provided under the rules of the REIT Law (as defined in the Fund Management Agreement and Property Management Agreement, respectively). As such, our Fund Manager and our Property Manager are incentivized to help grow our Company for its benefits and the benefit of our Shareholders. Please see the sections entitled "Our Fund Manager and our Property Manager – our Fund Manager of the Company – Fund Management Fee" and "Our Fund Manager and our Property Manager – our Property Manager of the Company – Property Management Fee" in this REIT Plan.

There may be direct competition between our Company and our Sponsor.

Our Sponsor and its Subsidiaries are engaged in, among other things, the investment in, and the development of, properties in the Philippines, including commercial, residential, and industrial developments. As a result, there may be circumstances where our Company competes directly with our Sponsor for property acquisitions and tenants, which could lead to lower occupancy levels, lower rental rates, or both for the Properties and could adversely affect distributions to our Shareholders. There can be no assurance that the interests of our Company will not conflict with, or be subordinated to, those of our Sponsor in such circumstances.

In addition, our Company has retained AREIT Fund Managers, Inc.[15] as our Fund Manager and AREIT Property Managers, Inc. to assist it in the property management of the properties held by our Company. Both our Fund Manager and our Property Manager are wholly-owned Subsidiaries of our Sponsor. In the future, our Company may decide to engage a different fund manager or property manager for the Properties and any future properties acquired by our Company. This potential fund manager and property manager may also be related to our Sponsor. There can be no assurance that our Fund Manager or our Property Manager or a potential future fund manager or property manager related to our Sponsor will not favor properties that our Sponsor has retained in its own property portfolio over those owned by our Company when providing such services to us. In addition, our Sponsor may create a new REIT which may or may not primarily be a commercial REIT similar to our Company. Such a new REIT can compete with our Company for properties, resources and opportunities from our Sponsor. While our Sponsor has no plans to create another REIT, as of the date of this REIT Plan, if another REIT is created by our Sponsor in the future, such competition may adversely affect our results of operations.

We believe, however, that with Ayala Land acting as our Sponsor, our Company benefits highly from our Sponsor's vast market expertise, high-standards of excellence, established industry connections, and ability to help identify opportunities for our Company in the Philippine property market. Please see the section entitled "Business and Properties – Business Strengths" in this REIT Plan for a more detailed discussion on these advantages. Upon completion of the Offer, our Sponsor will be a majority Shareholder

[15] The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.

in our Company, with a direct and indirect shareholding of at least 51%, (assuming the Over-allocation Option is fully exercised), mitigating the risk of potential competition as our interests will be generally aligned.

Our Company may face risks associated with debt financing and refinancing activities.

As of the date of this REIT Plan, our Company had no outstanding indebtedness relating to the Properties. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Indebtedness" in this REIT Plan. In the future, however, our Company may require debt financing to achieve our Fund Manager's asset enhancement strategies.

Our Company may be subject to risks normally associated with debt financing, including the risk that its cash flow will be insufficient to pay distributions at expected levels and meet required payments of principal and interest under such financing. Our Company may also be subject to the risk that it may not be able to refinance its indebtedness or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. In addition, our Company may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect its operations and ability to make distributions to Shareholders. Such covenants may restrict our ability to acquire properties or require it to set aside funds for maintenance or the paying back of security deposits.

If principal payments due at maturity cannot be refinanced, extended, or paid with proceeds of other capital transactions such as new equity capital, we may not be able to pay distributions at expected levels or to repay all maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, which would adversely affect our cash flow and the amount of distributions we could make to our shareholders.

Pursuant to the REIT Law, the Properties may be mortgaged to secure payment of indebtedness. If we take advantage of this allowance and are unable to meet interest or principal payments in respect of such indebtedness, the Properties or any of them could be foreclosed by or otherwise transferred to our creditor, or our creditor could require a forced sale of a Property with a consequent loss of income and asset value to our Company. However, as a general practice our Company obtains only short-term, clean loans that put our Company and our Properties at minimal risk.

In addition, if there is a breach of a material term of our debt facilities with banks or financial institutions, our Company may not be able to make any distribution to our shareholders without the prior written consent of the lenders.

To mitigate this risk, our Company takes a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments. We currently are not subject to any debt. However, in the event we do secure financing in the future, we will employ a healthy mix of debt and equity to fund our operations. Moreover, pursuant to the REIT Law, the total borrowing and deferred payments of our Company generally should not exceed 35% of our Deposited Property Value, limiting our ability to become over leveraged. Please see the section entitled "Business and Properties – Investment Policy – Borrowings" in this REIT Plan.

Our Fund Manager, with no management experience of a REIT company such as ours, and our Property Manager, as a relatively new entity, do not have an established operating history for investors to rely on in making an investment decision.

Our Fund Manager is a wholly-owned Subsidiary of Ayala Land. In operation since 2010, our Fund Manager, as of the date of this REIT Plan, has previous experience in corporate finance and other finance-related functions, but has had no management experience with respect to REITs specifically. Ayala Land, however, has significant experience in fund management, and many of the directors and officers of our Fund Manager have extensive experience working in the real estate industry. Please see the section entitled "Our Fund Manager and our Property Manager – Our Fund Manager of the Company – Directors and Officers of our Fund Manager" in this REIT Plan. There can be no assurance that our Company, under the direction of our Fund Manager, will be able to generate sufficient revenue from operations to make distributions at expected levels to Shareholders.

Our Property Manager, for its part, was incorporated on May 4, 2015. Accordingly, it has a limited operating history and no property management experience by which its past performance may be judged. Ayala Land, however, has significant experience in property management, and many of the directors and officers of our Property Manager gained valuable property management experience working with the Group. Please see the section entitled "Our Fund Manager and our Property Manager – Our Property Manager of the Company – Directors and Officers of our Fund Manager" in this REIT Plan. Its limited operating history may make it more difficult for investors to assess the likely future performance of our Property Manager, and in turn, our Company's likely future performance.

We believe that this risk is mitigated by management experience of the leadership of our Fund Manager and our Property Manager as mentioned above, as well as the committed support of our Sponsor, which, following the Offer, will be a majority Shareholder in our Company and will thus be incentivized to encourage the success of our Company.

Our Fund Manager may not implement our Company's investment policies.

Certain aspects of our Company's activities, including investments and acquisitions, will be determined by our Fund Manager in accordance with this REIT Plan and the investment strategy of the Company. See the section entitled "Business and Properties – Investment Policy" in this REIT Plan. While our Fund Manager intends to focus on investments of commercial real estate in the Philippines, the Fund Management Agreement gives our Fund Manager wide powers to invest in other types of assets, including any real estate, real estate-related assets, as well as listed and unlisted securities in the Philippines and other jurisdictions, subject to compliance with the requirements on allowable investments of a REIT under the REIT Law. See the section entitled "Business and Properties – Investment Policy – Investment Limitations" in this REIT Plan. There are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves, as well as risks and uncertainties in the compliance by the Company and our Fund Manager of the requirements of the REIT Law.

The risk that our Fund Manager may not implement our Company's investment policies is mitigated by our Fund Manager's legal and fiduciary obligation to act on behalf of and in the best interest of our Company. Please see the section entitled "Our Fund Manager and our Property Manager – our Fund Manager" in this REIT Plan. Our Fund Manager is also generally bound by the investment strategy of the Company as described in this REIT Plan. The approval of our Company and, likely, of the SEC will be required for any significant amendment to the plans and strategies outlined in this REIT Plan. In addition, the fee paid to our Fund Manager for its services corresponds directly to the Deposited Property Value of the assets of the Company under its management, as well as our Company's EBITDA (as defined in the Fund Management Agreement), thereby incentivizing our Fund Manager to pursue the most favorable investments for our Company, and grow the number and value of the Deposited Property. The total amount of such fees however shall not exceed what is provided under the rules of the REIT Law. Please see the section entitled "Our Fund Manager and our Property Manager – our Fund Manager of the Company – Fund Management Fee" in this REIT Plan.

Our Fund Manager may not be able to successfully execute our Company's stated strategy.

The Company's investment strategy is to invest in income-generating real estate in the Philippines. Our Fund Manager intends to help our Company produce secure and growing income that provides a competitive return to investors. See the section entitled "Business and Properties – Investment Policy" in this REIT Plan. While our Fund Manager will implement the investments strategies of the Company, there is no guarantee that there will be successful results or that our Company's portfolio will expand at all, or at any specified rate or to any specified size. Our Fund Manager may not be able to make investments or acquisitions on desired terms in a desired time frame since the liquidity of commercial real estate markets generally is low. Our Company's strategy to invest in commercial real estate is also dependent on our Company's ability to appropriately fund such investments. We may rely on external sources of funding to expand our Company's portfolio, which may not be available on favorable terms or at all. Even if our Company was able to successfully complete additional property investments, there can be no assurance that our Company will achieve its intended return on investments.

One of the Company's strategies for growth is to increase yields and total returns through a combination of the optimization of leasable space in the Properties as well as the acquisition of additional properties to our portfolio. In connection with any such development, our Company and our Fund Manager will incur risks associated with any such property renovation or acquisition activities. These risks include the risk that renovation or acquisition opportunities explored by our Fund Manager may be abandoned; the risk that the costs of undertaking such a project may exceed original estimates, possibly making the project uneconomical; and the risk that occupancy levels and rents of a completed project will not be sufficient to make the project profitable. In case of an unsuccessful project, our Company's loss could exceed its investment in the project. Our strategy is also dependent on our Company's ability to appropriately fund such investments and external sources of funding may not be available on favorable terms or at all.

In the event that our Fund Manager is unable to successfully execute our Company's investment strategy as described in this REIT Plan, our risk is mitigated by our ability to replace our Fund Manager and procure more successful licensed asset management services, as may be allowed under the REIT Law and the Fund Management Agreement. Please see the section entitled "Our Fund Manager and our Property Manager – Our Fund Manager" in this REIT Plan.

Our Company faces litigation risks and regulatory disputes in the course of our business.

In the ordinary course of our business, claims and disputes involving our Fund Manager, our Property Manager, lessees, business partners, and regulatory authorities such as the BIR may be brought against us and by us in connection with our contracts or business. Claims may be brought against us for breach of contract, law, or regulation, as well as claims relating to taxes, among others. If found to be liable, we would have to incur a charge against earnings to the extent a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance. We may also engage in disputes with regulatory authorities, including the BIR, on tax-related matters in connection with our business and operations.

Although, as a policy, we seek to maintain good relationships with our Fund Manager, our Property Manager, lessees, regulators and other parties whom we regularly deal with and to resolve disputes early and amicably, when appropriate, both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings such that the amounts ultimately realized from claims by us could differ from the balances included in our financial statements. Such claims could therefore have an adverse impact on our business, financial condition and results of operations. As of the date of this REIT Plan, our Company is not involved in any material litigation, nor, to the Company's knowledge, is any material litigation currently threatened against it.

To mitigate this risk our Company will rely on the good relationships that we, as well as our Sponsor, have cultivated with our Fund Manager, our Property Manager, lessees, regulators and other parties with whom we regularly deal. Historically this approach has been successful as we have not been subject to any material litigation in the past. Additionally, we have acquired, maintained, or are in the process of renewing all regulatory permits necessary to conduct our business and have remained compliant with all such requirements, having to date received no citations. Please see the section entitled "Business and Properties – Regulatory Compliance" in this REIT Plan. Following the Offer, our Property Manager will be responsible for assuring our continued compliance. Please see the section entitled "Our Fund Manager and our Property Manager – Our Property Manager" in this REIT Plan.

Our business and operations are dependent upon key executives.

We are, and will continue to be, dependent on the expertise and experience of our Company's, our Fund Manager's, and our Property Manager's directors, senior management, and other key employees for the success of our business. Most of these individuals possess deep industry knowledge and an acknowledged reputation in the market, owing to their track records and experience. See the sections entitled "Board of Directors and Senior Management," "Our Fund Manager and our Property Manager – Our Fund Manager of the Company – Directors and Executive Officers of our Fund Manager," "Our Fund Manager and our Property Manager – Our Property Manager of the Company – Directors and Executive Officers of our Property Manager" in this REIT Plan. If one or more of the senior executives or key employees are unable or unwilling to continue in their present positions, we may not be able to replace them within a reasonable period of time with individuals who possess comparable expertise and experience, or at all, which may seriously disrupt, and materially and adversely affect, our business, results of operations, and future prospects.

To mitigate this risk, our Company intends to adopt a business continuity plan and succession plan by identifying members of the management who will be able to assume and take on the role and additional responsibilities arising from such departure. We also intend to establish organizational policies and procedures for the development and advancement of its employees to ensure that there is continuity of the business by employees with superior skills and talent, thereby diminishing overdependence on key individuals.

We are party to a number of related party transactions.

In the ordinary course of our business, we have transactions with related parties. In particular, such related parties include members of our Group such as Ayala Land and AyalaLand Offices, Ayala Property Management Corp., Makati Development Corp., and Direct Power Services, Inc., among others. These agreements and our other related party transactions are described in greater detail under the section entitled "Related Party Transactions" in this REIT Plan and the notes to our financial statements appearing elsewhere in this REIT Plan. Such interdependence may mean that any material adverse changes in the operations or financial condition of related parties could adversely affect our results of operations.

We expect that we will continue to enter into transactions with related parties. These transactions may involve potential conflicts of interest which could be detrimental to us or our Shareholders. Under the REIT Law, any related party transaction of our Company must comply with certain minimum requirements which include (a) full, fair, timely, and accurate disclosures to the PSE and SEC of the identity of the parties, their relationship with our Company, and other important terms and conditions of the transaction; (b) fair and reasonable terms, including the contract price; (c) approval by at least a majority of the entire membership of our Board, including the unanimous vote of all Independent Directors of our Company; (d) a fairness opinion by an independent appraiser done in accordance with the valuation methodology prescribed by the SEC, in the case of an acquisition or disposition of real estate assets and property or share swaps or similar transactions; and (e) any other matter that may be materially relevant to a prospective investor in deciding whether or not to invest in our Company.

Furthermore, under Section 50 of the National Internal Revenue Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business.

On January 23, 2013, the BIR issued Revenue Regulation No. 2-2013 on Transfer Pricing Guidelines (the "**Transfer Pricing Guidelines**") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines. The Transfer Pricing Guidelines are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Guidelines define related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises.

The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR can make the necessary adjustments to the taxable profits of the related parties so as to reflect the true value that would otherwise be derived on an arm's length basis.

Our Company has a number of related party transactions that have been entered into on an arm's length basis, including land or building lease contracts with Ayala Land, a construction contract with Makati Development Corp., an energy distribution agreement with Direct Power Services Inc., and property management agreements with Ayala Property Management Corp. Our Company has also executed the following documents with our Sponsor: a Deed of Assignment, Contracts of Lease, assignment of tenant contracts, and assignment land lease. However, we have no assurance if the BIR will view these transactions as arm's length on the basis of the Transfer Pricing Guidelines. To manage this risk, we have established, in our Manual, a Related Party Transactions Review Committee to evaluate related party transactions to ensure that these transactions are entered into on arm's length terms. Related party transactions are subject to review and approval by the appropriate body, as determined by the Board, consistent with the policy contained in our Manual. Please see the sections entitled "Board of Directors and Senior Management – Board Committees" and "Related Party Transactions" in this REIT Plan.

We can provide no assurance, however, that our level of related party transactions, if questioned, will not have an adverse effect on our business or results of operations. In any event, the strong corporate governance provisions and related party transaction policies adopted by our Company and our Fund Manager mitigate our risks with respect to related party transactions. See the sections entitled "Our Fund Manager and our Property Manager – Related Party Transactions" and "Board of Directors and Senior Management" in this REIT Plan. Pursuant to the provisions of the REIT Law, the parties involved in the support, management, and operation of our Company will generally be bound by the concept of fair, commercial, arm's length dealing which will minimize the potential for conflicts of interest in related party transactions.

Divestment by our Sponsor could inhibit our growth

Upon completion of the Offer, our Sponsor will be a majority Shareholder in our Company, with a direct and indirect shareholding of at least 51%, (assuming the Over-allocation Option is fully exercised). If our Sponsor were to divest its ownership in our Company, our ability to grow would be affected because our relationship with our Sponsor provides us access to other prime properties for potential acquisition and inclusion in our property portfolio. We maintain a close relationship with our Sponsor who intends to maintain ownership of 51% of the capital stock of our Company, with the possibility of increasing its ownership interest to up to 67%. In the unlikely event of divestment, we expect to be self-sufficient and would continue to pursue our investment strategies.

Risks Relating to the Philippines

To mitigate the risks identified below, the Company shall continue to adopt what it considers conservative financial and operational controls and policies within the context of the prevailing business, economic, and political environment taking into consideration the interests of its customers, Shareholders, and other stakeholders.

Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Company's business.

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso depreciated from approximately ₱29.00 to US$1.00 in July 1997 to ₱56.18 to US$1.00 by December 2004.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies.

As of March 31, 2020, according to BSP data, the Peso has appreciated by 3.3% to ₱51.04 per U.S. $1.00 from ₱52.78 per U.S. $1.00 for the period ended March 29, 2019, and depreciated by 0.6% from ₱50.74 per U.S. $1.00 at the end of 2019.

Political instability in the Philippines could destabilize the country and may have a negative effect on the Company's business.

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there were instances of political instability, including public and military protests arising from alleged misconduct by the previous administration.

On March 27, 2014, the Government and the Moro Islamic Liberation Front ("**MILF**") signed a peace agreement, the *Comprehensive Agreement on Bangsamoro*. On September 10, 2014, the draft of the Bangsamoro Basic Law ("**BBL**") was submitted by former President Benigno Aquino, III to the Congress of the Philippines ("**Congress**"). The BBL is a draft law intended to establish the Bangsamoro political entity in the Philippines and provide for its basic structure of government, which would replace the existing Autonomous Region in Muslim Mindanao ("**ARMM**"). Following the *Mamasapano* incident where high-profile terrorists clashed with armed members of the Bangsamoro Islamic Freedom Fighters ("**BIFF**") and MILF leading to the deaths of members of the Special Action Force of the Philippine National Police ("**SAF**"), MILF, the BIFF, and several civilians, the Congress stalled deliberations on the BBL. The *Board of Inquiry on the Mamasapano* incident and the Senate of the Philippines ("**Senate**") then released their reports on the Mamasapano incident. On March 27, 2015, former President Aquino named a *Peace Council* consisting of five original members to study the draft BBL. Seventeen co-conveners were later named as part of the *Peace Council*. The *Peace Council* examined the draft law and its constitutionality and social impact. The *Peace Council* members testified before the House of Representatives and the Senate, and submitted their report, which endorsed the draft BBL but with some proposed amendments. On May 13 and 14, 2015, the Senate conducted public hearings on the BBL in Zamboanga and Jolo, Sulu, with the Zamboanga City government and sultanate of Sulu opposing their inclusion in the proposed Bangsamoro entity. On June 6, 2017, the *Bangsamoro Transition Commission* approved the final draft of the BBL. The final draft was submitted to President Rodrigo Duterte in the presence of Congress on July 17, 2017. On September 20, 2017, President Duterte gave verbal commitments to certify as urgent the BBL in order to facilitate the immediate passage of the bill. On February 1, 2018, President Duterte gave further verbal commitments to have the BBL passed before any charter change to the Philippine Constitution (the "**Constitution**"), and the administration remains to expect the passage of the bill by March 2018. On May 30, 2018 and May 31, 2018, the House of Representatives and the Senate, respectively, approved their final version of the bill. Representatives from the two chambers of Congress met for the bicameral conference committee on July 9 to 13, 2018 to iron out differences in their versions of the BBL. On July 27, 2018, President Rodrigo Duterte signed Republic Act No. 11054, approving the BBL, which was renamed the "Bangsamoro Organic Law." The *Bangsamoro* plebiscite was held on January 21, 2019, and the Bangsamoro Organic Law was ratified. Further to said plebiscite, the people of the ARMM voted to ratify the law creating a new *Bangsamoro* region also known as the *Bangsamoro Autonomous Region in Muslim Mindanao* which will replace the ARMM. On February 22, 2019, 80 appointed members forming the *Bangsamoro Transition Authority* took their oaths into office, with the official turnover of the ARMM to the Bangsamoro Transition Authority occurring on February 26, 2019. The next steps for the transition process involve the passage into law by the Bangsamoro Transition Authority of various 'priority legislation' enumerated in the Bangsamoro Organic Law, which include, among others, the Bangsamoro Administrative Code. On June 26, 2020, the Bangsamoro Transition Authority approved BTA-Parliament Bill No. 46 entitled, "An act defining the power of appointment in the Bangsamoro Autonomous Region in Muslim Mindanao and for other purposes", which defines the power of appointment in the Bangsamoro Autonomous Region in Muslim Mindanao.

On April 28, 2014, the Philippines and United States ("**U.S.**") officials signed the Enhanced Defense Cooperation Agreement ("**EDCA**") shortly before the visit to the Philippines of former U.S. President Barack Obama. This agreement was intended to foster the implementation of the Philippines and *U.S. Mutual Defense Treaty* ("**MDT**") and to allow a greater U.S. military presence in the Philippines. Activists criticized the move and held protests and some lawmakers argued that there was a lack of transparency in the preparation and signing of the agreement.

The Philippine presidential election was held on May 9, 2016, and on June 30, 2016, President Rodrigo Duterte assumed the presidency with a mandate to advance his "Ten-Point Socio-Economic Agenda" focusing on policy continuity, tax reform, infrastructure spending and countryside development, among others.

On February 11, 2020, the Philippine government, through the Department of Foreign Affairs, sent a notice to the U.S. Embassy on the termination of the Visiting Forces Agreement ("**VFA**") between the Philippines and the U.S., which termination shall take effect within 180 days from such notice. On the same day, Palace Spokesperson Salvador Panelo issued a public statement that President Rodrigo Duterte may also consider abrogating the other defense agreements between the U.S. and Philippines, including the EDCA and MDT, but no formal notice or announcement has yet been made as of date. Furthermore, on June 1, 2020, the Philippine government sent another notice to the U.S. government informing the latter that the abrogation of the VFA is suspended for six months, extendible by the Philippine government for another six months, after which the tolling of the initial period for the termination of the VFA shall resume.

In February 2017, Senator Leila de Lima was arrested after charges were filed in court accusing her of orchestrating a drug-trafficking ring during her terms as Secretary of the Department of Justice ("DOJ") from 2010 to 2015. In December 2018, Senator Antonio Trillanes, III was ordered arrested in connection with a libel case filed by presidential son Paolo Duterte. Senator Trillanes and Senator de Lima are outspoken critics of the Duterte administration. In May 2018, the Supreme Court of the Philippines ousted Chief Justice Maria Lourdes Sereno by ruling in a quo warranto proceeding that her appointment was invalid. The removal of Chief Justice Sereno became controversial because it was not coursed through the constitutionally mandated process of impeachment. On June 2018, former President Benigno Aquino, III was indicted for usurpation of legislative powers concerning the Disbursement Acceleration Program during his term. Moreover, several individuals who are high-ranking officers under the administration of President Aquino have also been indicted for graft and corruption charges and drug trafficking, among other offences. In February and March 2019, journalist Maria Ressa was ordered arrested on charges for cyber libel and violations of the anti-dummy law, respectively. Her arrest elicited concern from the international community and has been criticized by various groups as an attempt by the government to silence critical press coverage against President Duterte and his administration. On June 15, 2020, the Manila Regional Trial Court, Branch 46, issued its order convicting Maria Ressa over the cyber libel charges, with an indeterminate sentence corresponding to a maximum of 6 years of imprisonment. On June 29, 2020, Maria Ressa filed a motion for partial reconsideration before the Manila Regional Trial Court to appeal her cyber libel conviction, which remains pending for resolution of the court. In addition, since the commencement of the current administration, more than 1,000 alleged drug dealers and users have been killed in police operations, and more than 1,300 drug dealers and drug users have been killed by supposed vigilantes.

Meanwhile, in 2016, the Philippine Amusement and Gaming Corporation ("**PAGCOR**") issued the Rules and Regulations for Philippine Offshore Gaming Operators ("**POGO**"). POGO refers to entities which provide and participate in offshore gaming services, *i.e.* provide the games to players, take bets, and pay players' winnings. Initially, the Philippine Economic Zone Authority ("**PEZA**") and the Cagayan Economic Zone Authority ("**CEZA**") regulated POGOs, but in 2016, President Duterte signed Executive Order ("**EO**") No. 13, transferring the responsibility of regulating POGOs to PAGCOR. As of January 16, 2020, PAGCOR had authorized 59 POGOs to operate in the Philippines. Most of these operators' employees are Chinese nationals which provide translation and information technology support. The real estate industry benefits from the growth of POGO in the Philippines because of growing demand for office space and accommodations for employees. According to reports by various property firms, residential rental rates in the Manila Bay area increased by 62.2% during the second quarter of 2018 compared to the same period in 2017. The same trend has occurred for office retail spaces. POGOs were concentrated in the emerging CBDs such as the Manila Bay area and Alabang. The thrust for POGOs and real estate firms catering to their housing and office space needs might not slow down anytime soon considering the friendly relations that President Duterte has forged with China.

There can be no assurance that the current administration will continue to implement social and economic policies favored by the previous administration. Major deviation from the policies of the previous administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. The President's unorthodox and radical methods may also raise risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy and could cause interruption to all or part of our Company's business. Any such political destabilization could materially and adversely affect our Company's business, financial conditions, results of operations, and prospects.

Unforeseen shifts in the Philippine economy could have a negative effect on the Company's business.

All of our business operations are presently conducted in the Philippines and our revenues are entirely sourced from the Philippines. As such, our business, financial condition, and results of operations are subject to a significant degree to the general state of the Philippine economy. Over the years, the Philippines has experienced periods of slow or negative growth, high inflation, unforeseen devaluation of the Philippine currency, imposition of exchange controls, debt restructuring, and significant rise in oil prices.

On March 27, 2013, Fitch Ratings ("**Fitch's**") upgraded the Philippines' Long-Term Foreign-Currency IDR to 'BBB-' from 'BB+', and the Long-Term Local-Currency IDR to 'BBB' from 'BBB-', both with stable outlooks. Fitch's also upgraded the Country Ceiling to 'BBB' from 'BBB-' and the Short-Term Foreign-Currency IDR to 'F3' from 'B'. The upgrade of Philippines' sovereign ratings reflects the strength of the Philippines' sovereign external balance sheet relative not only to 'A' range peers, but also to 'BB' and 'BBB' category medians.

On May 8, 2014, Standard & Poor's Ratings Services ("**S&P**") upgraded the Philippines' sovereign long-term credit rating to 'BBB' from 'BBB-' and the Philippines' sovereign short-term credit rating to 'A-2' from 'A-3'. S&P assigned a stable outlook on the new ratings, with the new ratings to hold for six months to one year. According to S&P, "based on our assessment that even though a change of administration after the presidential elections in 2016 represents some uncertainty for reforms, the risks have shifted toward maintaining the impetus and direction of the process, away from a potential reversal or abandonment of advances achieved to date."On April 30, 2019, S&P raised the Philippines sovereign long-term credit rating to BBB+, which is its highest rating to date. According to S&P, the upgrade was made on the basis of the Philippines' consistent economic growth, solid fiscal accounts, and good position in the external environment. S&P stated that with the enactment of the first package of the Comprehensive

Tax Reform Program under TRAIN Act, finances are expected to remain sustainable while the country addresses pressing infrastructure needs. As of May 30, 2020, S&P maintained its BBB+ long-term credit rating for the Philippines with a stable outlook, and also affirmed its A-2 short-term credit rating for the Philippines.

Despite being hit by the worst typhoon in its history, the Philippine economy has maintained strong macroeconomic fundamentals and steady real GDP growth of 7.2% in 2013, an improvement from 6.8% achieved in 2012. While the damage from Typhoon Haiyan (Yolanda) pushed up inflation on a two-year high of 4.5% in May 2014 and darkened the medium-term economic forecast, the Philippines benefitted from a surge in foreign direct investment ("**FDI**"). Net FDI inflow for March 2014 was US$476 million, an increase of 78.5% as compared to March 2013. Cumulative FDI for the first three months of 2014 was US$1.9 billion. Equity placements reflected broader annual trends, with financing sourced from the U.S., Hong Kong, Japan, Singapore, and Taiwan. The majority of funds went into the financial, insurance, real estate, manufacturing, wholesale and retail trade, and mining sectors.

In 2018, the Philippines boasted GDP growth of 6.2%, which was actually lower than the 6.7% growth recorded in 2017. Despite the lower growth in 2018, the country still placed among the strongest growing economies in the world, alongside India, Vietnam, and China. The slower growth was attributed to a steep rise in inflation which hurt household consumption. Strong typhoons and poor irrigation also contributed to the slower growth. As between the third quarter of 2018 and the third quarter of 2019, GDP grew year-on-year by 6.2%.

Although growth in FDI is expected to continue following Fitch's, S&P's, and Moody's decision to upgrade the credit rating of the Philippines, no assurance can be given that Fitch's, S&P's, Moody's or any other international credit rating agency will not in the future, downgrade the credit ratings of the Philippines, which will affect Philippine companies including our Company. Any such downgrade could have an adverse impact on the liquidity of the Philippine financial market, the ability of the Government and Philippine companies to raise additional financing, and the interest rates and other commercial terms at which such additional financing will be made available. Additionally, there can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Unforeseen economic shifts could lead to economic downturns, which may have an adverse effect on our business or our results of operations.

Acts of terrorism could destabilize the country and could have a material adverse effect on the Company's business, financial condition, and results of operation.

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine military has also been in conflict with the *Abu Sayyaf* organization, which has ties to the al-Qaeda terrorist network and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. In September 2015, Canadians John Ridsdel and Robert Hall, Norwegian Kjartan Sekkingstad, and Filipina Marites Flor were kidnapped from a tourist resort on Samal Island in southern Philippines by the *Abu Sayyaf* which demanded ransom for the hostages' release. Hall and Ridsdel were later beheaded on separate occasions in April and June 2016, respectively, after the ransom demands were not allegedly met. After almost a year in captivity, Sekkingstad and Flor were finally released. In September 2016, the Abu Sayyaf abducted Jurgen Gustav Kantner and killed his wife while the couple were sailing off the waters of the southern Philippines. Kantner was beheaded in February 2017, after ransom demands were not allegedly met. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy.

Moreover, there were isolated bombings in the Philippines in recent years, mainly in regions of the southern part of the Philippines, such as the province of Maguindanao. Although no one has claimed responsibility for these attacks, it is believed that the attacks are the work of various separatist groups, possibly including the Abu Sayyaf organization. An increase in the frequency, severity, or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy.

The Government and the *Armed Forces of the Philippines* have clashed with members of several separatist groups seeking greater autonomy, including the MILF, the Moro National Liberation Front and the New People's Army. In January 2015, a clash took place in Mamasapano in Maguindanao province between the SAF of the Philippine National Police and the BIFF and the MILF, which led to the deaths of 44 members of SAF, 18 from the MILF, five from the BIFF, and several civilians, including Zulkifli Abdhir, a Malaysian national included in the U.S. *Federal Bureau of Investigation*'s most wanted terrorists.

On September 2, 2016, a bombing that killed 15 and injured 71 took place in Davao City, Mindanao. It is believed that the *Abu Sayyaf* organization and/or their allies are responsible for the bombing. In May 2017, members of the *Maute* group, a local terrorist group with alleged allegiances to the *Islamic State of Iraq and Syria*, captured parts of Marawi City in Lanao del Sur to allegedly establish an Islamic State caliphate in Mindanao. In response, President Duterte issued Proclamation No. 216 declaring martial law and suspended the writ of habeas corpus over the whole island of Mindanao, allowing arrests for those connected with the crisis. The Congress granted the request of President Duterte to extend martial law in Mindanao until December 31, 2017. The Congress subsequently approved a second extension of martial law until December 31, 2018, and a third extension until December 31, 2019. On October 17, 2017, President Duterte declared the liberation of Marawi City from terrorists and the beginning of the rehabilitation of Marawi City. As of October 30, 2017, more than 1,000 people including at least 165 soldiers, 919 *Maute* group fighters, and 47 civilians have been killed since fighting broke out. Currently, several fund-raising activities are being held by local government units to help rebuild Marawi City as well as aid families of the soldiers and policemen who were killed in the campaign to retake Marawi City from terrorists.

Similar attacks or conflicts between the Government and armed or terrorist groups could lead to further injuries or deaths of civilians and police or military personnel, which could destabilize parts of the country and adversely affect the country's economy. Any increase in the frequency, severity, or geographic reach of terrorist acts could adversely affect the country's economy. Any such destabilization could cause interruption to parts of the Company's business and materially and adversely affect its financial conditions, results of operations, and prospects.

***The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition*.**

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. On January 30, 2020, the Department of Health ("**DOH**") announced that a 38-year old Chinese female from Wuhan, China, then epicenter of cases of the 2019 novel coronavirus ("**COVID-19**"), who arrived in Cebu City from Hong Kong, tested positive for the virus. On February 2, 2020, the DOH announced that a 44-year old Chinese male, also from Wuhan, China, was confirmed to have the COVID-19, and passed away on February 1, 2020. This was the first confirmed death outside of China. In view of the rising number of cases of the COVID-19, the Duterte Administration announced on February 2, 2020 that the Philippines is imposing a temporary travel ban against entry of any person, regardless of nationality, except Filipino citizens and holders of Permanent Resident Visas issued by the Philippine government, directly coming from China, and its special administrative regions. The travel bans also included persons who within fourteen days immediately preceding arrival in the Philippines has been to China and its special administrative regions. A mandatory quarantine of fourteen days was imposed upon Filipinos and Permanent Resident Visa holders coming from China and its special administrative regions. On March 7, 2020, the DOH declared a Code Red Sublevel 1 alert following the confirmation of localized transmission of the COVID 2019 which was later raised to Code Red Sublevel 2. The WHO declared COVID-19 to be a global pandemic on March 11, 2020. On March 12, 2020, the Duterte Administration announced the imposition of a Metro Manila-wide community quarantine calling for stringent social distancing measures and restricted travel to and from Metro Manila in a bid to combat the threat and spread of the COVID-2019. Subsequently, the President has imposed an enhanced community quarantine and stringent distancing measures over the entire Luzon effective March 17, 2020 and expiring on May 15, 2020. In line with this, all public and private offices, business establishments, stores and offices, shall be closed during the mandatory quarantine period except for private establishments providing basic necessities and such other activities related to food and medicine. On April 24, 2020, the Government announced that starting on 01 May 2020, certain provinces and cities will be under general community quarantine, which places less stringent measures and restrictions as part of Government's partial reopening of the economy.

As of date of this REIT Plan, COVID-19 has had a limited impact on AREIT. In line with government restrictions, all public and private offices, business establishments, stores and offices, shall be closed during the mandatory quarantine period except for private establishments providing basic necessities and such other activities related to food and medicine. With these restrictions in place, the operations within the retail spaces of the Properties were affected, but BPOs and some offices which comprise the majority of our tenants were allowed to operate on-site or from home or a combination of both. Despite the closure of some retail tenants during this period, the impact of retail concessions on the Company's operations has so far been minimal as the retail component of our business makes up only 6% of the total GLA of the Properties (including Teleperformance Cebu) Furthermore, for the months covered by the Enhanced Community Quarantine, the Company granted rental waivers to retail merchants/tenants who were required by the Philippine Government to be closed, and granted discounts for the other retail merchants/tenants that were allowed to operate. The estimated total amount of rental waived and discounts granted is ₱18.06 million. Please see section entitled "Profit Forecast and Profit Projection". In terms of the office spaces, the Company remained resilient as office tenants – BPOs and some offices – continued to pay rent during the Enhanced Community Quarantine while the hotel lease remained fixed.

In terms of the impact to the Company's tenants, the anchor tenants of the Properties are diverse and composed of reputable businesses and industry leaders. Most of these companies continued to operate in some capacity during the Enhanced Community Quarantine allowing all buildings to remain operational during this period. The Company's retail tenants, which constitute a small portion of its occupancy rate, consists of basic and essential stores (mostly food and convenience outlets) that have the ability to quickly recover from the crisis. More than 50% have re-opened immediately after the enhanced community quarantine has been lifted. This has continued to increase since the lifting of the enhanced community quarantine. For tenants in the BPO industry, work-from-home arrangements may not be as productive as on-site operations. Further, because of poor connectivity, data privacy restrictions and limitations in allowing PEZA companies to take out equipment off-site, the work-from-home arrangement is viewed as a temporary set-up. As measures to address the threat of COVID-19 are continuously being implemented, including providing wider public transportation, more employees are expected to report on-site to work. Please see the section entitled "Business and Properties – The Properties – Tenant Profile".

Safety protocols in light of COVID-19 include observing lower density occupancy and social distancing. In view of this, offices may require larger spaces. Growth is also seen in select office sectors such as technology, healthcare and e-commerce support services in view of the shift in consumer demands and corporate operations to cope with COVID-19's impact. Some of the Company's anchor tenants are from these key industries.

The rent generated from our tenants remain secured by the terms in the lease agreements due to the provisions on upfront advanced rental deposits and upfront security deposits, each equivalent to three months' rent. Additionally, the Company's office lease contracts generally does not allow pre-termination except under certain conditions such as business closure or extreme downsizing. The lease agreements contain hefty penalty provisions for pre-termination that preserve cash flow for the Company for a defined period, mitigating potential adverse impact. If allowed to pre-terminate, consequences may include forfeiture of the security deposit and advanced rent, in total equivalent to 6 months' rent and/or payment of rent for the unexpired portion of the term of the lease.

Moving forward, the impact of the COVID-19 pandemic and measures to prevent its spread could still impact our businesses in a number of ways. For one, as an initial response to the pandemic, the Company needs to ensure that resources are in place for our Properties to maintain safety and minimize health exposure. Continued collection of our rental revenues depends significantly on the occupancy levels at our properties and our tenants' ability to continue operations and remain financially sound. Although not as significant, our operating costs may increase slightly due to intensified sanitation, disinfection, access monitoring and control points, and other similar protocols. Lastly, a prolonged COVID-19 pandemic may continue to cause economic, market, and financial disruptions worldwide. This can affect conditions in bank lending and the performance of capital and other financial markets.

In the future, AREIT's operations may face some risk if the effects of the COVID-19 pandemic are prolonged and tenants experience deteriorating financial conditions resulting in their inability to pay rent on a timely basis and renew long-term lease contracts. For spaces that become vacant, inquiries on available space may be limited and fit-out of new spaces are restricted while lockdowns are imposed by the government. To address these, we may have to offer more flexible payment arrangements, waive penalty for late payments or as a last recourse be constrained to renegotiate long-term lease obligations on less favorable terms. Government and industry-initiated efforts may also affect our ability to collect rent or enforce remedies for the failure to pay rent, such as limited enforcement mechanisms from courts of law or enforcement agencies. This risk however is mitigated by the quality and diversity of our tenancy (both in terms of types of tenant and business sector) as well as the timing of our lease expirations, which are spread-out. Lastly, our Properties are in strong, high-performing locations with access to quality talent pool. This could mitigate risk of business closure should a tenant face a decision to rationalize its sites and choose weaker locations to close.

The COVID-19 pandemic has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. We cannot assure you that conditions in the bank lending, capital and other financial markets will not continue to deteriorate as a result of the pandemic, or that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings. In addition, the deterioration of global economic conditions as a result of the pandemic may ultimately decrease occupancy levels and pricing across our portfolio.

Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company's business, financial condition, and results of operations.

In April 2009, an outbreak of the H1N1 virus, commonly referred to as "swine flu," occurred in Mexico and spread to other countries, including the Philippines. In August 2014, the World Health Organization ("**WHO**") declared the Ebola outbreak that originated in West Africa as an international health emergency in view of the rising death toll due to the disease. That month, a Filipino seaman in Togo was quarantined for exhibiting symptoms of Ebola virus infection but was later released after testing negative for the disease. While still Ebola-free, the Philippines, however, remains vulnerable to exposure and spread of the disease for the following reasons: (a) the considerable number of overseas Filipino workers in the Ebola-hit West African countries;(b) the impact of international travel which raises the probability of transmission; and (c) lack of the necessary infrastructure to contain the spread of the disease. In March 2016, the Director-General of WHO terminated the *Public Health Emergency of International Concern on the Ebola Virus Disease* outbreak.

In February 2015, a Filipina nurse who arrived from Saudi Arabia tested positive for the MERS-CoV (i.e., the Middle East Respiratory Syndrome-Corona virus). She was quarantined, received medical treatment, and later discharged and cleared of the disease by the *Department of Health*. All known contacts of the said nurse, including some passengers in the same flight that arrived from Saudi Arabia, were also cleared of the infection, putting the country once again free of an active case of the disease.

In March 2016, reports of an American woman who stayed in the Philippines for four weeks in January 2016, tested positive for the Zika virus upon returning home, indicating the local transmission of the disease through the *Aedes aegypti* mosquito. In May 2016, a South Korean national was reported to have acquired the infection while visiting the Philippines, following earlier reports of two other confirmed cases of the viral infection in the country. All of the patients had recovered, indicating that the Zika viral infection acquired in the country was self-limiting.

In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry products outside a seven-kilometer radius control area surrounding the affected site were imposed. The Philippines has since been cleared of any human infection of the avian influenza virus.

In September 2019, the Department of Health confirmed that Polio re-emerged in the Philippines, nineteen years after the country was declared polio-free by the WHO in 2000. As of November 25, 2019, the total number of confirmed polio cases is eight (8).

For information on COVID-19, see "*– The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition*."

If the outbreak of the Ebola virus, MERS-CoV, Zika virus, bird flu, polio, COVID-19, or any public health epidemic becomes widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Company's business, financial condition and results of operations.

The proposed amendment of the Constitution, advocated by the Duterte Administration, has caused, and may continue to cause, political unrest which could adversely affect the Company's financial condition, results of operations, and cash flows.

Despite constitutional reform being a divisive issue in the Philippines, the Duterte Administration has considered it a legislative priority to amend the Philippine Constitution primarily to change the form of Philippine government from a unitary one to a federal one ("**Charter Change**"). The shift to a federal form of government was among President Duterte's key promises during his election campaign in 2016. President Duterte believes that the shift would promote peace most especially in conflict-torn Mindanao, curb poverty nationwide, and empower local government units in the Philippines.

The House of Representatives has already taken the initial steps toward the establishment of a Philippine federal structure of government. On January 16, 2018, the House of Representatives passed Joint Resolution No. 9, proposing that both the Senate and the House of Representatives transform into a *Constitutional Assembly* with the authority to amend the Constitution. On January 17, 2018, the subcommittee on constitutional amendments of the House of Representatives presented its proposed amendments to political provisions of the current Constitution, including the establishment of a *Federal Republic* divided into five states: Luzon, Metro Manila, Visayas, Bangsamoro, and Mindanao. Each state, under the said proposal, would have a unicameral state assembly with legislative powers and a premiere with executive powers. The subcommittee likewise proposed to establish a parliament with a 300-member Federal Assembly as national legislative department and a Senate as the regional legislative body. Meanwhile, the president would remain as head of state under the proposal and would have a term of five years with one re-election, whereas a prime minister would be constituted as the head of the Philippine government, and would be elected by members of the Philippine parliament.

With respect to proposed amendments to economic provisions of the current Constitution, the House of Representatives subcommittee also proposed to delete certain provisions in the current Constitution providing foreign nationality restrictions, particularly in the following areas: exploitation, development and utilization of natural resources, ownership of alienable lands, franchise on public utilities, practice of profession, ownership of educational institutions, mass media, and advertising. Business groups in the Philippines believe that such amendments will enable the Government to achieve its goal of sustainable and inclusive economic growth, and that an increase in foreign investments would create more job opportunities for Filipinos.

The then Speaker of the House of Representatives Speaker Pantaleon Alvarez has posited that the House of Representatives alone may proceed to amend the Constitution even without the concurrence of the Senate, but senators insist that the lower house of Congress must wait for Senate concurrence to formally begin proposing amendments to the Constitution. The impasse between the two chambers has resulted to a crisis of government administration, causing conflicts among different political groups. In addition, while President Duterte has stated that he wishes to step down from office at the end of his six-year term in 2022, critics believe that Charter Change would pave the way for Duterte to perpetuate his political power and begin an authoritarian regime over the archipelago.

On May 13, 2019, the Philippines held its national elections for 12 seats in the Senate, all the seats in the House of Representatives, and numerous positions in local governments. There can be no assurance that the elected officials will continue to implement the economic, development, and regulatory policies of their predecessors, including those policies that may have an effect on the Company's assets and operations.

Due to the Company's business being subject to extensive regulation from the Government and dependence on economic stability, the potential for instability and unrest may have a material adverse effect on the Company and its financial condition, results of operations, and prospects.

Natural or other catastrophes, including severe weather conditions, may adversely affect the Company's business, materially disrupt the Company's operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, droughts, volcanic eruptions, and earthquakes that could adversely affect the Company's business. Some of the recent and notable calamities that hit the country were Typhoon Ondoy in 2009, Typhoons Pedring and Sendong in 2011, Typhoon Pablo in 2012, Typhoon Yolanda in 2013, the Bohol and Cebu Earthquake in 2013, and the Cotabato and Batangas Earthquakes in 2019. On April 22, 2019, a magnitude 6.1 earthquake struck parts of Luzon, including Metro Manila. Recently, on January 12, 2020, Taal Volcano erupted causing ashfalls and earthquakes in Southern Luzon, some parts of Central Luzon and Pangasinan in Ilocos Region, including Metro Manila. The Philippine Institute of Volcanology and Seismology ("**PHIVOLCS**") issued an Alert Level 4, which means a hazardous explosive eruption may happen at any given moment. The explosion resulted to the suspension of classes, work schedules, and flights. On January 26, 2020, PHIVOLCS downgraded the classification to Alert Level 3, which means a decreased tendency towards hazardous eruption. The danger zone was likewise reduced from a 14-kilometer radius from the volcano's main crater, to a 7-kilometer radius. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations or any assurance that the Company will be capable of dealing with or recovering from such situations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's operations. While the Company carries insurance for certain catastrophic events, of types, in amounts and with deductibles that the Company believes are in line with general industry practices in the Philippines, there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Company's business, financial condition, and results of operations.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China, and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("**UNCLOS**"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a collection of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused each other of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal later that year. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. China rejected and returned the notice sent by the Philippines to initial arbitral proceedings.

On May 9, 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after the Government of the Philippines issued a formal apology.

In September 2013, the *Permanent Court of Arbitration* in The Hague, Netherlands issued rules of procedure and initial timetable for the arbitration in which it would act as a registry of the proceedings. On July 12, 2016, the five-member Arbitral Tribunal at the Permanent Court of Arbitration in The Hague, unanimously ruled in favor of the Philippines on the maritime dispute over the West Philippine Sea. The *Arbitral Tribunal*'s landmark decision contained several rulings, foremost of which invalidated China's "nine-dash line", or China's alleged historical boundary covering about 85% of the South China Sea, including 80% of the Philippines Exclusive Economic Zone ("**EEZ**") in the West Philippine Sea. Despite the decision, the Chinese government has maintained its position that the *Arbitral Tribunal* had no jurisdiction over the dispute, and thus, the decision is not binding on the Chinese government. In recent years, the Chinese Government successfully registered names for five undersea features found in the Philippine Rise (formerly Benham Rise) with the International Hydrographic Organization. This is despite the decision that the *United Nations Commission on the Limits of the Continental Shelf* had already granted the Philippines full territorial claim to the Philippine Rise in April 2012. While the Philippine Government downplays the Chinese names, the Philippines' central mapping agency is seeking the assistance of the Department of Foreign Affairs for the nullification of the Chinese names for underwater features from the International Hydrographic Organization-Intergovernmental Oceanographic Commission General Bathymetric Chart of the Oceans ("**IHO-IOC GEBCO**") Sub-Committee on Undersea Feature Names ("**SCUFN**").

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted, and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or overseas Filipinos permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the Company's business, financial condition, and results of operations.

Investors may face difficulties enforcing judgments against the Company.

Our Company is organized under the laws of the Republic of the Philippines and our Company's assets are located in the Philippines. As a result, it may be difficult for investors to effect service of process outside of the Philippines upon the Company. Moreover, it may be difficult for investors to enforce judgments against the Company outside of the Philippines in any actions pertaining to the Shares. In addition, substantially all of the Directors and officers of the Company are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations *Convention on the Recognition and Enforcement of Foreign Arbitral Awards*. Nevertheless, the Philippine *Rules of Civil Procedure* provide that a judgment or final order of a foreign court obtained against the Company is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to good customs, public order, or public policy of the Philippines, (iv) the party against whom the enforcement is sought did not receive notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

The Philippine real estate industry is subject to extensive regulation from the Government, including local governmental authorities, and the Philippine Competition Commission.

The Philippine real estate industry is subject to extensive government regulation. See the section entitled "Regulatory and Environmental Matters" in this REIT Plan. We must comply with the various requirements of the Government, including local governmental authorities in the areas in which our Properties are located, and the regulations of the Philippine Competition Commission. The Government influences the property sector by imposing industry policies and economic measures, including those that affect the classification of land available for property development, foreign exchange restrictions, property financing, taxation, acquisition and development, and foreign investment. Property laws and regulations, including relevant judicial decisions, are at times ambiguous and may be subject to inconsistent and contradictory interpretations. Further, such laws and regulations are constantly evolving and therefore consistent interpretations of such regulations are difficult to anticipate. New laws and regulations or modifications may also be passed, which would impose more stringent and complex requirements on us, thereby adversely affecting our business, financial condition, and results of operations.

On August 8, 2015, Republic Act No. 10667, otherwise known as the Philippine Competition Act (the "**PCA**") became effective. The PCA prohibits and penalizes anti-competitive agreements and abuse of dominance. It likewise provides for mandatory notification for mergers and acquisitions meeting the set thresholds under the PCA and its Implementing Rules and Regulations. Given the usual volume of our Sponsor's and its Affiliates' transactions, mergers or acquisitions undertaken by our Company may meet the notification threshold under the PCA and its Implementing Rules and Regulations. The mandatory process of notification may delay the consummation of our Company's transactions.

In addition, government regulations strictly mandate compliance with environmental laws. The Company incurs expenses for the purpose of complying with environmental laws and regulations, which costs consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

We believe that our Sponsor has a strong understanding of the regulations relevant to our business and has significant experience in managing compliance with regulatory requirements. This expertise is evident from our Sponsor's track record in working with national and local governmental and regulatory authorities and maintaining good relationships with them. We believe that our Sponsor's institutional regulatory knowledge and industry credibility will assist our ability to obtain relevant permits and clearances. There can be no assurances, however, that we will not experience any issues with respect to regulatory compliance in the future.

Risks Relating to Our Properties

Our Company's business focuses on Philippine commercial properties.

Our Company's Properties are located in the Philippines, and, as of March 31, 2020, 100% of the aggregate Gross Leasable Area of the Properties was dedicated to commercial use, exposing our Company to economic and real estate conditions in the Philippines, particularly Metro Manila, such as the oversupply of, or reduced demand from, tenants and other competing commercial properties.

Our risk is mitigated by our focus on Grade A commercial buildings located in prime locations. Our Properties are situated in the Makati CBD which is the economic center of the country and boasts the highest rental rates in Metro Manila. As such it is less susceptible to market fluctuations. We also believe that the recent positive growth in the Philippine economy will continue. In any event, we also take a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments.

Our Company has recently acquired one of the Properties, which was newly constructed and therefore does not have an established operating history.

Our Sponsor, on October 5, 2018 transferred Ayala North Exchange to our Company pursuant to a Deed of Assignment. The mixed-use development was fully completed only in the third quarter of 2019. Accordingly, while our Company has an established operating history with respect to Solaris One which was built in 2008, and our Sponsor has an operating history with respect to McKinley Exchange since 2015 (the lease under the Contract of Lease with Telus International Philippines, Inc. commenced as early as December 12, 2014), we, as a Company do not have such an operating history with respect to Ayala North Exchange. Due to Ayala North Exchange's limited operating track record, its operating history is not sufficiently established for its past performance to be evaluated. This lack of historical data may make it more difficult for investors to assess our Company's likely future performance with respect to Ayala North Exchange in particular and to our Company overall. There can be no assurance that our Company will be able to generate sufficient revenue from operations of the new building to meet our Company's and our Fund Manager's forecasts and projections or to make distributions at expected levels to our Shareholders.

We believe that this risk is mitigated by the historically successful performance of Ayala Land property developments in the Philippines, particularly in the Makati CBD, of which Ayala North Exchange is one. In 2018, although Ayala North Exchange has not yet been fully constructed, our Company has secured committed lessees for the building. In addition, as of March 31, 2020 we had already secured for Ayala North Exchange Committed Leases for 100% of the GLA available for commercial office leases in the building. These leases are with top-tier tenants who have signed long-term leases, thereby provided Ayala North Exchange a secured and growing revenue stream into the future. Please see the section entitled "Business and Properties – Ayala North Exchange" and "Profit Forecast and Profit Projection" in this REIT Plan for more details.

The loss of Anchor Locators or key tenants or a downturn in the business of these tenants could have an adverse effect on our Company's financial condition and results of operations.

As of March 31, 2020, the ten largest tenants of the Properties in terms of total Gross Leasable Area accounted for approximately 86.6% of the total Gross Leasable Area, and for the same period, accounted for 78.0% of total Rental Income of the Properties. Accordingly, our Company's financial condition and results of operations and ability to make distributions may be adversely affected by the bankruptcy or insolvency, or a downturn in the business, of its Anchor Locators or key tenants. In addition, if an Anchor Locator or key tenant decides not to renew its lease or to terminate its lease before it expires, while subject to considerable pre-termination payments due to the Company, our Company's financial condition and results of operations and ability to make distributions may be adversely affected. The figures herein presented do not include the historical data of McKinley Exchange as the lease of the Property commenced only on February 1, 2020.

In particular, as of March 31, 2020, Solaris One's most significant tenant, Shell Shared Services (Asia) B.V. – Philippine Branch, accounted for 21.7% of total Gross Leasable Area of the Properties. Ayala North Exchange's most significant tenant, Makati North Hotel Ventures, Inc., an Affiliate of our Sponsor, accounted for 17.0% of total Gross Leasable Area of the Properties, as of March 31, 2020. Makati North Hotel Ventures Inc. is a wholly-owned Subsidiary of AyalaLand Hotels and Resorts Corp., which in turn is a wholly-owned Subsidiary of Ayala Land. The rental rates charged to Makati North Hotel Ventures, Inc. are within market rates and entered into by the parties in an arm's-length transaction. Accordingly, the loss of any of the Properties' Anchor Locators or key tenants could result in periods of vacancy which could adversely affect our Company's Rental Income.

This risk is mitigated by our Fund Manager's approach to active lease management. Our Fund Manager will actively manage our property portfolio to achieve growth in revenue and Net Operating Income and maintain optimal occupancy levels. Please see the section entitled "Business and Properties – Business Strategies" in this REIT Plan. Historically, we have had success in retaining the high-quality tenants leasing in Solaris One, which has consistently retained a high occupancy rate. Please see the section entitled "Business and Properties – Leasing Activities, Expiries, and Renewals" in this REIT Plan. We offer attractive lease rates to incentivize our tenants to continue renting, and our standard lease contracts contain hefty penalty provisions for pre-termination, disincentivizing our tenants to pre-terminate those leases. In addition, our Company does not expect any major lease expiries at our Properties within the next two years. Please see the section entitled "Business and Properties – Leasing Activities, Expiries, and Renewals" of this REIT Plan for more details.

Our Company does not own the land on which Solaris One and Ayala North Exchange are situated.

The Properties are situated on lands owned by other parties, such as our Sponsor, and HLC Development Corp., a wholly-owned Subsidiary of our Sponsor. Although we own the buildings of Solaris One and Ayala North Exchange, we lease the underlying land from the owners of the land.

Ayala Land owns the title to the plot of land on which Solaris One currently stands. Under the lease contract between our Sponsor and the Company, the lease has a term of 33 years, commencing on January 1, 2016, which will expire on December 31, 2048, unless earlier terminated according to the provisions of the long-term lease contract. Pursuant to the agreement, the long-term lease contract can be renewed only through mutual agreement of Ayala Land and the Company set out in writing.

In the case of Ayala North Exchange, the Company has an underlying lease agreement with HLC wholly-owned Subsidiary of our Sponsor. While HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sqm portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City. The period of lease shall be for 44 years, having commenced from the initial turnover date on June 9, 2014, with an expiry date on June 9, 2058. The Contract of Lease may only be renewed upon mutual agreement of the parties in writing.

Upon the cancellation of the leases, the Company must immediately vacate the leased premises and deliver to the respective owners full and vacant possession of the same. In the case of Solaris One, Ayala Land may, at its sole option, cause the demolition or removal of any improvement constructed with costs charged to the Company.

Nevertheless, both Contracts of Lease may be renewed upon mutual agreement of the respective parties thereto.

Please see the section entitled "Certain Agreements Relating to our Company and the Properties – Land Lease Agreements" in this REIT Plan. If there were any substantial changes to the land lease agreements or our Sponsor's or HLC's ownership of the leased land, as well as cancellation or termination of the lease, our Company's financial condition and results of operations and ability to make distributions may be adversely affected. Non-renewal of the lease agreements upon expiration of thereof may likewise have adverse effects to the financial position of the Company. However, the lease terms are aligned with the useful life of the buildings.

Because our Sponsor, following the Offer, will be a majority shareholder in our Company, we believe that our interests are generally aligned and that this alignment helps mitigate this risk. Historically, we have not had any disputes with our Sponsor or HLC, and any disagreements have been amicably resolved. Moreover, we are protected by the terms of the land leases, which, among other things, do not allow for assignment by our Sponsor or HLC without the mutual consent of our Company. Please see the section entitled "Certain Agreements Relating to our Company and the Properties – Land Lease Agreements" for more details on the land lease agreements.

Our Company does not own McKinley Exchange.

McKinley Exchange is owned by our Sponsor, and is subject to a long-term lease with our Company. The lease has a term of approximately 34 years based on the useful life of the Building, and may be renewed only through mutual agreement of Ayala Land and the Company Upon termination of the lease, our Company must immediately vacate the leased premises and deliver to Ayala Land the full and vacant possession of the same. Please see the section entitled "Certain Agreements Relating to our Company and the Properties – Building Lease Agreement" in this REIT Plan. If there were any substantial changes to the building lease agreement or our Sponsor's ownership of the leased building, as well as cancellation or termination of the lease, our Company's financial condition and results of operations and ability to make distributions may be adversely affected. Non-renewal of the lease agreements upon expiration thereof may likewise have adverse effects to the financial position of the Company.

Because our Sponsor, following the Offer, will be a majority shareholder in our Company, we believe that our interests are generally aligned and that this alignment helps mitigate this risk. Historically, we have not had any disputes with our Sponsor, and any disagreements have been amicably resolved. Moreover, we are protected by the terms of the building lease, which, among other things, do not allow for assignment by our Sponsor without the mutual consent of our Company. Please see the section entitled "Certain Agreements Relating to our Company and the Properties – Building Lease Agreement" for more details on the building lease agreement for McKinley Exchange.

The loss of the Properties PEZA-accreditation or other similar benefits could result in the loss of tenants.

The Properties are Grade A, PEZA-accredited buildings that offer competitive amenities and technology to our Company's lessees. If there were any substantial changes to these benefits, including the loss or revocation of the Properties' PEZA-accreditation, our tenants may find the Properties less desirable and may decide not to continue to lease in the Properties. Similarly, potential tenants may decide not to lease at all. If, as a result, a substantial number of potential tenants decide not to lease or an Anchor Locator or other key tenant decides not to renew its lease, our Company's financial condition and results of operations and ability to make distributions may be adversely affected.

To mitigate this risk, we ensure that the Properties are fully compliant with all PEZA-accreditation requirements. Our Property Manager will continue to ensure that we comply with all regulatory requirements. Please see the section entitled "Our Fund Manager and our Property Manager – Our Property Manager" in this REIT Plan. As of the date of this REIT Plan, we can foresee no reason why we would lose our PEZA accreditation.

The implementation of Package 2 of the Comprehensive Tax Reform Program ("CTRP") may have a negative effect on BPO companies that comprise a significant percentage of our tenants.

On December 17, 2017, President Rodrigo Duterte signed into law Republic Act No. 10963 or TRAIN which commenced implementation on January 1, 2018. TRAIN, which contains the first package of the tax reforms, increased the excise tax on fuel and other petroleum products, the capital gains tax, and the stock transaction tax on sale of shares, among others. The second package of CTRP, formerly the Corporate Income Tax and Incentives Reform Act ("**CITIRA**"), and now referred to as the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE**") is currently under review. For the CREATE, the Duterte Administration is studying corporate income tax rates and certain tax incentives such as income tax holidays currently being enjoyed by entities, such as those registered with the PEZA. BPO companies, which may be registered information technology enterprises with the PEZA, may lose the benefit of the 5% special tax on gross income (which is imposed in lieu of all national and local taxes (except real property taxes on machineries)) and may instead be subjected to the corporate income tax rate of regular corporations. As a result, BPO companies may find it more difficult to conduct their business in the Philippines. For the three-month periods ended March 31, 2020 and the year ended December 31, 2019, our Company generated 72.2% and 71.8% of its total Rental Income, respectively, from BPO companies who are tenants in our Properties. The figures herein presented however, do not include the historical data of McKinley Exchange as the lease of the Property only commenced on February 1, 2020. If CREATE becomes law, the effects of the proposed changes under CREATE on BPO companies may reduce the number of BPO companies interested in leasing space in our Properties. It may also prompt BPO companies that already lease space in our buildings, not to renew those leases. If, as a result, a substantial number of potential BPO tenants decide not to lease in our Properties or if current BPO tenants decide not to renew their leases, our Company's financial condition and results of operations and ability to make distributions may be adversely affected.

This risk is mitigated by our Properties, which are PEZA-accredited, Grade A buildings in desirable locations in Makati and which are well-suited to attract a diverse array of tenants. The pro-active strategy of our Property Manager, which will employ its competence and management's experience, helps our Company to secure a robust and healthy tenant mix in the Properties. Our Property Manager's efforts are also supplemented by our Sponsor's reputation in the office leasing industry and its extensive network, which provides our Property Manager insight to numerous potential tenant replacements.

Delays or defaults in payment from our lessees and building tenants may affect our revenues.

While the Company allows for lease agreements for a minimum of two years, we typically engage our office lessees in long-term lease contracts, ranging from five to ten years for our office space, pursuant to which our lessees and tenants are obligated to pay an advance rental deposit and security deposit upfront and the remainder by quarterly installments on or before the due date specified in the statement of accounts received by the tenants. In some instances, however, we grant longer term leases to high-quality tenants, such as Shell Shared Services (Asia) B.V. – Philippine Branch, whose lease has a term of ten years. As income from our leases is fundamental to our operation, we rely to a great extent on the timely and full payment of rent from such parties. In particular, a significant portion of our current income from rentals is dependent on our ten largest tenants (in terms of total Gross Leasable Area across the portfolio). For the years ended December 31, 2018, and 2019, income from our leases with these ten tenants accounted for 89.5% and 74.4% of our total Rental Income, respectively. The figures herein presented do not include the historical data of McKinley Exchange as the lease of the Property commenced only on February 1, 2020.

In the three years prior to the date of this REIT Plan, we have not experienced any material defaults from our tenants on their rental payments. However, since most of our leases are contracted for periods of considerable time, we cannot assure you that our lessees would not default on their payments, would pay their rent on time, and would not become insolvent or bankrupt in the future. Furthermore, we cannot assure you that our Rental Income would be adjusted to keep up with any rising inflation rates. Any occurrence of the foregoing resulting in a negative impact on our income from rentals may have an adverse effect on our business, financial condition, and results of operations.

From time to time, there were instances of delays in rental payments arising in the ordinary course of business, but historically these have not had a material impact on our Company's results of operations. In circumstances where we experience delays in rental payments, we impose interest and penalties on our tenants pursuant to our standard lease agreements.

To mitigate our risks stemming from delays or defaults in payment, we carefully vet our tenants before agreeing to lease to them. This practice has led to Solaris One historically having very low percentages of delays and defaults. In addition, we provide for advance payment of rent from our lessees and for steep penalties in the event of delay or pre-termination of our leases. Please see the sections entitled "Business and Properties – Solaris One," and "Business and Properties – Leasing Activities, Expiries, and Renewals" in this REIT Plan.

Most of the Properties' leases are for periods of between five and ten years, which may expose the Properties to high rates of lease expires in the future.

Most of the lease agreements for the Properties are for tenancy periods between five and ten years, which reflects the general practice in the Philippines property market for office rental tenancies. Solaris One was completed in 2008 and secured most of its initial office leases at that time. McKinley Exchange first began operations in 2015, and was fully leased to tenants in November 2014. Ayala North Exchange, as of the date of this REIT Plan, has only recently been completed, so the building has minimal lease history. Our Company secured a number of Committed Leases for Ayala North Exchange in 2018, and consistent with Solaris One, the minimum lease term for Ayala North Exchange's tenants is for five years, while the longest is for ten years.

Despite the concentration of tenancy periods in the general range of five to ten years, our Company has not historically experienced significant numbers of leases expiring in the same year. We anticipate that this trend will continue in the future, as based on current Committed Leases for Ayala North Exchange, only 21.7% of Ayala North Exchange's GLA for office space is scheduled to expire in 2023. In addition, our tenants are required to notify us of their intention to renew their lease at least six months prior to the expiration of their lease term. Historically, we have experienced high renewal rates. This discussion does not include however, the historical data and prospective value of McKinley Exchange as the lease of the Property commenced only on February 1, 2020.

Nonetheless, the concentration of leases with five to ten-year terms may expose our Company to certain risks in the future, including the risk that vacancies following renewal of leases may lead to reduced occupancy levels which will in turn reduce our Company's Gross Revenue. If a large number of tenants do not renew their leases in a year with a high rate of lease expiries, it would have a material adverse effect on the relevant Property and could affect our Company's total Gross Revenue.

Our Company's portfolio has significant exposure to the banking/finance and BPO sectors. The tenants in Solaris One are primarily multinational corporations, with approximately 91.3% and 89.3% of the Rental Income of Solaris One for the years ended December 31, 2018, and 2019, respectively, derived from tenants involved in BPO services. See the section entitled "Business and Properties – Solaris One – Tenant Profile" in this REIT Plan. The tenants in Ayala North Exchange are primarily focused on the banking/financial services and BPO industries, with approximately 73.7% and 74.8% of the Rental Income of Ayala North Exchange for the years ended December 31, 2018, and 2019, respectively, derived from tenants involved in these two sectors. See the section entitled "Business and Properties – Ayala North Exchange – Tenant Profile" in this REIT Plan. The sole tenant in the office building of McKinley Exchange accounting for 100% of its Rental Income for the years ended December 31, 2018, and 2019, is likewise focused on the BPO industry. See the section entitled "Business and Properties – McKinley Exchange – Tenant Profile." Downsizing of local operations for multinational corporations as well as a prolonged downturn in demand for BPO services may affect the businesses of the tenants, occupancy levels, tenants' ability to comply with the terms of their leases, and the terms achievable on lease renewals and new leases. The value of our Company's investments and the yields on the Shares may be affected negatively by any of these events.

To mitigate this risk, our Fund Manager employs an active lease strategy. Our Fund Manager will actively manage our property portfolio to achieve growth in revenue and Net Operating Income and maintain optimal occupancy levels. As part of this strategy, tenants are generally required by their lease contracts to notify us of their intention to renew or not renew their lease six months in advance of the lease expiry. Our Company, through our Property Manager, then actively engages with its tenants to discuss and negotiate lease renewals. Please see the sections entitled "Business and Properties – Business Strategies" and "Business and Properties – Leasing Activities, Expiries, and Renewals" in this REIT Plan. Historically, we have had success in retaining the high-quality tenants leasing in Solaris One, which has consistently retained a high occupancy rate. We believe that our Properties, which are PEZA-accredited, Grade A buildings in desirable locations in Makati, are well-suited to attract a diverse array of tenants. The pro-active strategy of our Property Manager, which will employ its competence and management's experience, helps our Company to secure a robust and healthy tenant mix in the Properties. Our Property Manager's efforts are also supplemented by our Sponsor's reputation in the office leasing industry and its extensive network, which provides our Property Manager insight to numerous potential tenant replacements.

Market changes in demand for new types of office space may reduce the appeal of our Properties to potential tenants.

Our Company's Properties cater primarily to large, multinational corporations and BPO companies. The Properties are currently designed with traditional office space, and our leases with tenants are typically long-term, between five and ten years in duration. The long-term nature of our leases and the nature of our tenants has helped the Company reach its goal of stable occupancy and Rental Income.

Recent trends in the Philippine commercial leasing market, however, indicate that many corporate consumers desire non-traditional office space, such as co-working spaces. Tenants that desire these types of co-working space also typically desire short-term lease terms. There is no guarantee that we will be able to keep pace with such changes in the commercial leasing market and offer office space and rental terms that are desirable for such businesses. There is also no guarantee that our current tenants will not also prefer different types of office space and rental arrangements. If our pool of potential tenants is significantly reduced or if a large number of tenants do not renew their leases as a result of such trends, it would have a material adverse effect on the Rental Income generated by our Properties and could affect our Company's financial condition and results of operations and ability to make distributions at the desired levels.

As part of our Fund Manager's active asset management strategy, our Company will maintain flexibility in catering to the needs of its tenants. This is partially accomplished by the early renewal negotiations that we enter into with our expiring lessees. To satisfy our current and potential tenants, we can offer some flexibility in maneuvering space within our Properties to meet their needs and desires. Taking advantage of our Sponsor's leading role in the industry, we actively monitor the real estate market in the Philippines to assess market trends and respond to changing needs and tastes accordingly.

The appraised values of our Properties may be different from the actual realizable value and are subject to change.

The appraised values of our Properties as contained in the valuation certificates attached to this REIT Plan were prepared by Asian Appraisal[16] and are based on multiple assumptions containing elements of subjectivity and uncertainty. The valuation was made on the basis of market value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. To arrive at the market value of the Properties, Asian Appraisal used the income approach, specifically the Discounted Cash Flow analysis. Asian Appraisal's assumptions include the following:

- average rent revenue growth rates from are 5% for Ayala North Exchange HQ, 4% for Solaris One, McKinley Exchange and Ayala North Exchange BPO from 2020 to 2029, and 2% for Ayala North Exchange Retail from 2021 to 2029;

- operating expenses are projected based on a 5-year historical average for Solaris One and McKinley Exchange and estimated forecast expenses for Ayala North Exchange;

[16] Asian Appraisal valued the Properties, as of June 17, 2020, at approximately ₱30,152 million: Solaris One was valued at ₱12,054 million, Ayala North Exchange was valued at ₱16,026 million, and McKinley Exchange was valued at ₱2,072 million.

- capital expenditures of 3.0% of projected rent revenues for all Properties except McKinley Exchange; a building lease of P2.7 million per month with annual escalation of 5% is assumed for McKinley Exchange;

- discount rate of 8.5% for all Properties; and

- terminal value or reversion value based on Gordon growth model.

As a result of these assumptions, the appraised values of our properties may differ materially from the price we could receive in an actual lease or sale of the Properties in the market and should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to our Properties, as well as national and local economic conditions, may affect their value. In particular, the valuation of our properties could stagnate or even decrease if the market for comparable properties in the Philippines experiences a downturn whether as a result of Government policies directed to the property sector or changing market conditions due to the on-going COVID-19 pandemic or otherwise. We believe that the historical appreciation of Ayala Land's properties in the Philippines, particularly in the Makati CBD indicate that our Properties will also appreciate in this manner. To mitigate devaluation of our Properties, we engage in regular maintenance to ensure that the Properties remain desirable destinations for our high-quality tenants. We regularly infuse capital expenditures to prolong the useful life of our buildings and associated assets.

Damage to, or other potential losses involving, our assets and business may not be covered by insurance.

The Properties could suffer physical damage caused by fire or other causes, resulting in losses (including loss of rent) which may not be fully compensated by insurance. To mitigate this risk, we maintain comprehensive property and liability insurance policies with coverage features and insured limits that we believe are consistent with market practice in the real estate industry in the Philippines. These include *Property All Risk Insurance*, *Business Interruption Cover*, and *Property Damage* coverage. We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and industry practice. Consistent with what we believe to be customary practice in the Philippines, we do not carry any key-man insurance, or insurance covering potential environmental damage claims. Furthermore, tenants are prohibited from using the leased premises in any manner which will cause our Company's insurance policies to be rendered void and voidable, or whereby the premium due thereon may be increased. If as a result of any act, deed, matter or thing done or permitted by the tenants, the premium on any such insurance policy is increased, the tenants shall be liable for the amount of such increase.

Nonetheless, the scope of insurance coverage that we or our tenants can obtain, or our or their ability to obtain such coverage at commercially reasonable rates, may be limited. As such, certain types of losses, generally of an unforeseen or catastrophic nature, such as natural disasters, terrorist acts, the outbreak of infectious disease, or any resulting losses causing disruptions to our business operations, may be uninsurable, or the required insurance premiums may be too expensive to justify obtaining insurance. In the event of a substantial loss, the insurance coverage we carry may not cover our damages, or be sufficient to pay the full market value or the replacement cost of our lost investment. If we suffer any uninsured losses, damages, or liabilities in the course of our business operations, we may not have sufficient funds to cover any such losses, damages, or liabilities. Accordingly, we could lose some or all of the capital we have invested in our Properties, as well as the anticipated future revenue from the affected Property. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance, or which is not covered by our insurance policies, or where the cost of the losses or damages exceeds our insurance coverage, we will have to bear such costs, which could have a material adverse effect on our business, financial results of operations and condition.

To mitigate these risks, our Company dedicates substantial capital expenditures to the upkeep, upgrading, and refurbishment of our Properties, including the buildings themselves and the facilities and amenities within them. Our Company takes a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments.

Our Company may be unable to maintain sufficient operating cash for maintenance and other similar costs, and our operating cash may be insufficient to cover necessary costs.

Over the course of the useful life of the Properties, our Property Manager will maintain the Properties. Our Company endeavors to keep the Properties in good working order, subject to high commercial standards and acceptable to both our current and prospective tenants. Accordingly, our Company may from time to time need to expend funds to complete routine maintenance, including maintenance of elevators, air-conditioning, and restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and equipment upgrades, as well as extraordinary maintenance, in the event of damage from weather disturbances such as typhoons, earthquake, or floods or from other unforeseen events.

Our Company has, in the past, and expects to, in the future, fund such necessary maintenance with cash. Our Company limits its capital expenditure to 3-5% of gross Rental Income, which is funded directly from the Company's operating cash. This amount is based on our experience of the capital expenditures required to fund reasonable maintenance and refurbishment of the Properties' facilities and equipment. However, there can be no guarantee that we will be able to maintain operating cash at the desired level or that our operating cash will be sufficient to cover maintenance and other similar costs in the event of an extraordinary occurrence. Insufficient operating cash may have an adverse effect on our business, financial condition, and results of operations.

To mitigate the risk of unforeseen and extraordinary maintenance, in the past we have an established practice of maintaining a sinking fund for any item not covered by our routine maintenance. In our experience, this sinking fund has equaled 3% of the Company's revenue per year. We intend to continue this practice for our Properties in the foreseeable future.

The Properties might be adversely affected if they require major maintenance and our Property Manager does not provide adequate maintenance services for the Properties.

Our Properties may, in the future, require substantial maintenance and upkeep or upgrades and refurbishment to keep current tenants and attract new tenants. Such maintenance may include maintenance of elevators, air-conditioning, and restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and equipment upgrades. Under the Property Management Agreement, AREIT Property Managers, Inc., as Property Manager of the Properties, is fully responsible for the formulation and implementation of policies and programs in respect of building management, maintenance, and improvement of the Properties for and on behalf of the Company. Therefore, if our Property Manager, or any other person appointed by our Property Manager to assist with managing the Properties fails to provide adequate maintenance services for the Properties, the value of the Properties might be adversely affected and may also result in a loss of tenants, thereby adversely affecting the ability of our Company to make distributions regularly or at expected levels. In addition, if the Property Management Agreement is terminated and our Company is unable to obtain property management services from an alternative service provider in a timely manner or on competitive terms, our Company could face a substantial disruption in on-going or planned maintenance operations.

In the event that our Property Manager is unable to provide the necessary services, including by taking advantage of the sinking fund our Company sets aside for unforeseen and extraordinary maintenance, our risk is mitigated by our ability to replace our Property Manager and procure more successful property management services. Please see the section entitled "Our Fund Manager and our Property Manager – Our Property Manager" in this REIT Plan.

Our Company may face increased competition from other commercial properties.

At least 46,767.95 sq.m. of the Gross Leasable Area in Solaris One, 10,687.50 sq.m. of the Gross Leasable Area in McKinley Exchange, and 95,300.35 sq.m. of Gross Leasable Area in Ayala North Exchange is dedicated to office, serviced apartments, and retail use. The Properties compete with properties of a similar type and, in some cases, a similar quality. Increased competition could adversely affect income from, and the market value of, the Properties. Historical operating results of the Properties may not be indicative of future operating results and historical market values of the Properties may not be indicative of future market values of the Properties. This is particularly the case for Ayala North Exchange, which, as a new building, does not have historical operating results.

The income from, and market value of, the Properties will be largely dependent on the ability of the Properties to compete against other commercial properties in the area in attracting and retaining tenants. Important factors that affect the ability of retail office properties to attract or retain tenants include the quality of the building's existing tenants, the quality of the building's property manager, and the attractiveness of the building and the surrounding area to prospective tenants and their customers or clients. Attracting and retaining tenants often involves re-fitting, repairing, or making improvements to mechanical, electrical, and technical systems and outward appearance.

The age, construction quality, and design of a particular property may affect the occupancy level as well as the rent that may be charged. The effects of poor construction quality will increase over time in the form of increased maintenance and capital improvements needed to maintain the property. Even well-built or well-designed properties will deteriorate or become obsolete over time if our property manager does not schedule and perform adequate maintenance and building upgrades in a timely fashion.

If competing properties of a similar type are built in the areas where the Properties are located or similar properties in the vicinity of the Properties are substantially updated and refurbished, the value of and Gross Revenue generated by the Properties could be reduced.

We manage these risks by remaining flexible in our negotiations of commercial terms with customers, including rental terms, the rental amount, and the payment period, to make our Properties more attractive to potential tenants. Notwithstanding the strong competition that we face, we believe that the experience built up by our management, our Sponsor's track record in the real estate industry, and our understanding of local market preferences and conditions enables us to compete effectively. If, however, these strategies are not completely effective and we cannot remain competitive against other property developers in the areas in which our properties are situated, our profitability and prospects could be adversely affected.

Our Company may be unable to implement its investment and acquisition growth strategy, including failing to complete its intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates.

Our Company may not be able to successfully implement its investment and acquisition growth strategy, and expand our building portfolio at any specified rate or to any specified size, or make acquisitions or investments on favourable terms or within a desired time frame.

Following the completion of the Primary Offer, we intend to expand our building portfolio by acquiring from APRC, a wholly-owned Subsidiary of Ayala Land, a fourth building, Teleperformance Cebu, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined GLA of 17,947.96 sq.m., constructed on a 3,621 sq.m. parcel of land owned by our Sponsor, formerly known as Aegis Towers 1 and 2, and located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City. Please see the section entitled "Business and Properties – Teleperformance Cebu" for more details about the property. Based on the GLA of existing Committed Leases at Teleperformance Cebu, the intended addition of the Teleperformance Cebu building to our property portfolio is expected to increase our Gross Leasable Area by 11.7%. The Memorandum of Agreement between APRC and our Company, however, contains a replacement clause that states that prior to the execution of a definitive sales document over the Teleperformance Cebu building, our Sponsor may, subject to agreement with and acceptance by our Company, have the option to substitute the Teleperformance Cebu building with an alternative building owned by our Sponsor, or any of its Subsidiaries or Affiliates, that meets or exceeds the Teleperformance Cebu building and our Company's financial and strategic investment criteria, subject to the agreement of and acceptance by our Company. Please see the section entitled "Certain Agreements Relating to our Company and the Properties" for more details about this Memorandum of Agreement.

Our acquisition of the Teleperformance Cebu building from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds the Teleperformance Cebu building and our Company's financial and strategic investment criteria, will be assisted by funds received from the Primary Offer. However, while it is our intention to add the Teleperformance Cebu building to our portfolio, the closing of the acquisition of the building will be subject to customary closing conditions, and there can be no assurance that we will be able to agree to acceptable terms for the acquisition or that the closing will occur at all. This could have an adverse effect on our Company's expected use of proceeds from the Primary Offer. If our intended acquisition of the Teleperformance Cebu building does not close for any reason, we will instead use the net proceeds from the Primary Offer intended for that transaction to acquire an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds the Teleperformance Cebu building and our Company's financial and strategic investment criteria. Please see the section entitled "Use of Proceeds" in this REIT Plan.

We will also look for similarly situated properties to acquire or lease, to add to our property portfolio. Our Company faces active competition in acquiring suitable and attractive properties which meet our financial and strategic investment criteria, including from property development companies and private investment funds. There is no assurance that our Company will be able to compete effectively against such entities and our ability to make acquisitions under its acquisition growth strategy or acquisitions that are accretive may be adversely affected. Even if we were able to successfully acquire properties or other investments, there is no assurance that such acquisitions will achieve the intended return on such acquisitions or investments.

The real estate industry in which our Company operates is capital intensive and our Company may from time to time require significant amounts of capital for purposes such as acquisitions or redevelopment. Since the amount of borrowings that our Company can incur to finance acquisitions is limited by the REIT Law, such future acquisitions may be dependent on our Company's ability to raise equity capital. This may result in a dilution of investors shareholdings. Potential vendors may also view negatively the prolonged time frame and lack of certainty associated with the raising of equity capital.

Our Company is exposed to general risks relating to ownership and operation of commercial real estate.

Investments in our Company will be subject to the risks relating to ownership and operation of commercial real estate. Factors such as the national and international economic climate, trends in the retail industry, the quality and strategy of management, competition for tenants, changes in market rental rates, the inability to collect rent due to bankruptcy of tenants or otherwise, the need to periodically renovate, repair, and re-let space, and the costs thereof, the ability of our Property Manager to provide adequate maintenance and insurance, increased operating costs, and changes in laws and governmental regulations in relation to real estate could impact upon the performance of the Properties.

The performance of the Properties may also be adversely affected by the following factors:

- vacancies following expiry or termination of leases that lead to reduced occupancy levels – this reduces Rental Income and the ability to recover certain operating costs such as service charges;

- tenants seeking the protection of bankruptcy laws which could result in delays in receipt of rent payment, or which could hinder or delay the sale of a property, or inability to collect rentals at all or the termination of the tenant's lease;

- tenants failing to comply with the terms of their leases or commitments to lease;

- annual rental escalation rates may fall below inflation rates in the future;

- the amount of rent and the terms on which lease renewals and new leases are agreed being less favorable than current leases;

- the oversupply of, or reduced demand for, space;

- downturns in the sales of products or services which particular tenants offer; and

- changes in laws and governmental regulations relating to real estate including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in the management expenses or unforeseen capital expenditure to ensure compliance. Rights relating to the relevant properties may also be restricted by legislative actions, such as revisions to the building standards laws or the city planning laws, or the enactment of new laws relating to condemnation and redevelopment.

To navigate these risks, we will rely on the extensive experience of our Company's management in the Philippine real estate industry. We also believe that the reputation of our Sponsor as a leading player in the industry will help us deal with many of the above risks. Our Company and our Sponsor have committed to supporting and growing our Company. Please see the section entitled "Business and Properties – Business Strengths" in this REIT Plan for more information.

Our Company may be adversely affected by the illiquidity of real estate investments.

Real estate investments, particularly investments in high value properties such as commercial buildings, are relatively illiquid. Such illiquidity may affect our Company's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market, or other conditions. This could have an adverse effect on our Company's financial condition and results of operations, with a consequential adverse effect on our ability to make expected distributions to Shareholders.

We believe that our Properties' location in Makati mitigates this risk as real estate in the country's financial center is forecast to remain in high demand. Additionally, pursuant to the REIT Law, we have the ability to mortgage the Properties to obtain debt financing, if needed.

Properties held by our Company may be subject to an increase in operating and other expenses.

Our Company's ability to make distributions to shareholders could be adversely affected if operating and other expenses increase without a corresponding increase in revenues or tenant reimbursements of operating and other costs. Factors which could increase operating and other costs include:

- increases in the rate of inflation;

- increases in payroll expenses and energy costs;

- increases in property taxes and other statutory charges;

- changes in statutory laws, regulations or government policy which increase the cost of compliance with such laws, regulations or policies;

- increases in sub-contracted service costs;

- increases in insurance premiums; and

- defects affecting the properties which need to be rectified, leading to unforeseen capital expenditure.

Historically, our management has succeeded in managing our operating costs. We believe that our Fund Manager's active management strategy will continue this trend and mitigate the above risks. In particular, in order to deliver optimal returns, our Property Manager will strive to keep property operating expenses at each of the Properties low without compromising quality of services. To minimize cost, our Fund Manager, in coordination with our Property Manager, intends to exploit the benefits of scale from operating a portfolio of assets by, for example, organizing programs for bulk purchases of supplies and developing systems to share successful cost-savings programs among the Properties. Our Property Manager will also exploit the possibilities of implementing energy conservation initiatives to improve the efficiency of building operations and to reduce utilities costs. Please see the section entitled "Business and Properties – Business Strategies" in this REIT Plan.

Risks Relating to the Offer Shares and an Investment in Our Company

No REIT has previously listed on the PSE and there has been no prior market for the Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

Although the REIT Law was passed in 2009, there has been, to date, no company that has listed on the PSE pursuant to the provisions of the REIT Law. As there has been no prior precedent in the listing of a REIT in the Philippines and no prior trading in our Shares, we cannot assure you that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained. The Offer Price has been determined after taking into consideration a number of factors, including, but not limited to, our prospects, the market prices for shares of companies engaged in related businesses similar to that of our business and prevailing market conditions. The price at which our Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The actual performance of our Company and the Properties could differ materially from the forward-looking statements and forward-looking financial information in this REIT Plan.

This REIT Plan contains forward-looking statements and forward-looking financial information regarding, among others, forecast and projected dividend yields for Forecast Year 2020 and Projection Year 2021. These forward-looking statements and forward-looking financial information are based on a number of assumptions which are subject to uncertainties and contingencies that are outside of our and our Fund Manager's control (see the sections entitled "Forward-Looking Statement" and "Profit Forecast and Profit Projection – Assumptions" in this REIT Plan for further details).

In addition, the commissioned industry reports prepared by Colliers on the office real estate markets of Metro Manila and Cebu, for inclusion in this REIT Plan, reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is not necessary indicative of future economic and market conditions that would apply to our Company.

Our revenue and profit is dependent on a number of factors, including the receipt of rental income from the Properties and that we will acquire Teleperformance Cebu from ARPC, a wholly owned Subsidiary of our Sponsor, in October 2020 for ₱1.45 billion (excluding VAT). This may adversely affect our ability to achieve the forecast and projected dividends as events and circumstances assumed may not occur as expected, or events and circumstances may arise which are not anticipated. No assurance is given that the assumptions will be realised and the actual dividends will be as forecast and projected in the section entitled "Profit Forecast and Profit Projection" of this REIT Plan.

Property yield on real estate held by our Company is not equivalent to distribution yield on the Shares.

Generally, property yield depends on Net Operating Income and is calculated as the Gross Revenue less direct operating expenses of the Properties and any other property our Company may acquire. The dividend yield on our Shares, however, depends on the dividends payable on our Shares, after taking into account other expenses including but not limited to (i) taxes, (ii) the fees of our Fund Manager and Property Manager and (iii) other operating costs including administrative fees, as compared with the purchase price of our Shares paid by investors.

Our Company may not be able to make distributions and the level of distributions may fall.

The Net Operating Income earned from real estate investments depends, among other factors, on the amount of Rental Income received, and the level of property, operating, and other expenses incurred. If properties owned by our Company do not generate sufficient Net Operating Income, our income, cash flow, and ability to make distributions will be adversely affected. No assurance can be given as to our Company's ability to pay or maintain distributions. Neither is there any assurance that the level of distributions will increase over time, that we will continue to be able to negotiate contractual increases in rent under the leases of the Properties, that the increases in rent will not be lower than the inflation rate, or that the receipt of rental revenue in connection with expansion of the Properties or future acquisitions of properties will increase our Company's cash available for distribution to shareholders.

Our Company faces risks associated with compliance with the requirements to pay out its Distributable Income to Shareholders.

The Company is required by the REIT Law to distribute annually a total of at least 90% of its Distributable Income as dividends to its Shareholders. If the required pay out from our Company's Distributable Income is greater than its cash flow from operations, it may have to borrow in order to comply with the REIT Law. Should there be any change in tax law or policy which results in certain expenses of our Company ceasing to be adjustable, the impact may be to cause our Company's required pay out from the Distributable Income to exceed its cash flow from operations. If our Company fails to distribute dividends as required under the REIT Law, our Company may be subject to increased tax liability and potential tax penalties. The failure to cure such a breach within 30 days from the time of the occurrence of the event will subject our Company to income tax on its taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of its taxable net income as defined in the REIT Law. As such, dividends distributed by our Company may be disallowed as a deduction for purposes of determining taxable net income. See the section entitled "Regulatory and Environmental Matters – Real Estate Laws – Taxation of REITs" in this REIT Plan for additional details. In addition, a violation of the REIT Law may obligate our Company to pay a fine or cause the imprisonment of the officers of our Company. Under the REIT Law, a fine of not less than ₱200,000 nor more than ₱5 million or imprisonment of not less than six years and one day nor more than 21 years, or both at the discretion of the court, shall be imposed upon any person, association, partnership or corporation, its officer, employee or agent, who acting alone or in connivance with others, violates any of the provisions of the REIT Law. If the offender is a corporation, partnership or association or other juridical entity, the penalty may, at the discretion of the court, be imposed upon such juridical entity and/or upon the officer or officers of the corporation, partnership, association or entity responsible for the violation, and if such officer is an alien, he shall in addition to the penalties prescribed, be deported without further proceedings after service of sentence. Such prosecution and conviction of the offender under the REIT Law and the imposition of the above penalties shall be without prejudice to the administrative, civil and criminal liabilities of the offender under the SRC.

Shareholders may bear the effects of tax adjustments on income distributed in prior periods.

Distributions will be based on our Company's Distributable Income. The taxable net income of our Company as initially computed for purposes of determining the amount to be distributed to Shareholders (the "**initial taxable net income**") may, however, be different from the taxable net income as may be determined by the BIR (the "**adjusted taxable net income**"). The difference between the initial taxable net income and the adjusted taxable net income will be added to or subtracted from, as applicable, the taxable income available for distribution in subsequent periods to the Shareholders. Similarly, if our Company distributes gains on the sale of properties held by our Company and such gains are subsequently assessed for unpaid taxes, the Distributable Income for subsequent periods will be reduced for such unpaid taxes and the Shareholders in such subsequent distribution periods may receive reduced dividends. See the sections entitled "Regulatory and Environmental Matters – Real Estate Laws – Taxation of REITs" and "Taxation" in this REIT Plan for further details.

We cannot assure you that the Offer Shares will be listed on the PSE.

Purchasers of Offer Shares will be required to pay for such Offer Shares on the Trading Participants and Retail Offer Settlement Date, which is expected to be on or about August 3, 2020 and on the Institutional Offer Settlement Date, which are expected to be on or about August 13, 2020. We cannot assure you that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders might not be able to trade the Offer Shares. This may adversely affect the value of the Offer Shares.

The market price of the Shares may be volatile, which could cause the value of investors' investments in the Shares to decline.

The market price of our Shares may be affected by multiple factors, including:

- volatility in stock market prices and volume;
- fluctuations in our revenue, cash flow, and earnings;
- general market, political, and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed stocks in general and other stocks in similar industries;
- the market value of our assets;
- changes to government policies, legislation, or regulations; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this REIT Plan could adversely affect the market price of our Shares.

In part as a result of recent global economic downturns, the global equity markets have historically experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these could adversely affect the market price of our Shares.

Future sales of Shares in the public market may adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of our business and operations, the Company will consider the funding options available to our Company at the time, which may include the issuance of new Shares. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of existing Shareholders may be reduced, Shareholders may experience subsequent dilution or such new securities may have rights, preferences, and privileges senior to those of the Offer Shares. Furthermore, the market price of the Shares may decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new Shares, or the perception that such sales, transfers, or issuances may occur. Such development could also adversely affect the prevailing market price of the Shares or our ability to raise capital in the future on favorable terms.

Our Shares may be subject to Philippine foreign ownership limitations in the future.

According to the REIT Law, if a REIT owns land located in the Philippines, it must comply with foreign ownership limitations imposed under Philippine law. In connection with the ownership of private land, Article XII, Section 7 of the Constitution, in relation to Chapter 5 of the Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

As of the date of this REIT Plan, our Company does not own land. Nevertheless, because our Articles of Incorporation authorizes our Company to acquire land, which may include land in the Philippines, foreign shareholdings in our Company may not exceed 40% of our total issued and outstanding capital stock.

As such, we will be unable to allow the issuance or transfer our Shares to persons other than Philippine Nationals, and cannot record transfers in our books, if such issuance or transfer would result in our Company ceasing to be a Philippine National for purposes of complying with the applicable nationality requirements. In addition, to the extent foreign ownership exceeds 40% of our outstanding capital stock, we may be required to divest foreign ownership to comply with the foreign ownership restrictions. For more information, please refer to the section entitled and "Regulatory and Environmental Matters – Nationality Restriction" in this REIT Plan.

The Offer Shares may not be a suitable investment for all investors.

Each potential investor in the Offer Shares must determine the suitability of that investment in light of his or her own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of our Company and its business, the merits and risks of investing in the Offer Shares, and the information contained in this REIT Plan;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on his or her overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;

- understand and be familiar with the behavior of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate, and other factors that may affect its investment and its ability to bear the applicable risks.

Investors may incur immediate and substantial dilution as a result of purchasing Offer Shares.

The issue price of the Offer Shares may be substantially higher than the net tangible book value per Share of the outstanding Shares. Therefore, purchasers of Offer Shares may experience immediate and substantial dilution and our existing Shareholders may experience a material increase in the net tangible book value per share of the Shares they own. See the section entitled "Dilution" in this REIT Plan for more details.

Our Company has broad discretion to determine how to use the proceeds received from the Primary Offer and may use them in ways that may not enhance our operating results or the price of our Shares.

Our Company plans to use the net proceeds of the Primary Offer to fund our future investments in real estate properties in Metro Manila and other key regions in the Philippines in accordance with our investment policy, including our Company's intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, as described under the section entitled "Use of Proceeds" in this REIT Plan. Our Company and our Fund Manager have broad discretion over the use and investment of the net proceeds of the Primary Offer, and accordingly, investors will need to rely upon their judgment with respect to the use of proceeds with only limited information concerning our Company's and our Fund Manager's specific intentions.

Risks Relating to the Presentation of Information in this REIT Plan

Certain information contained herein is derived from unofficial publications.

Certain information in this REIT Plan relating to the Philippines, the industry in which we compete, and the market in which we operate, including statistics relating to market size, is derived from various Government and private publications. This REIT Plan also contains industry information prepared from available public sources and independent market research conducted by Colliers to provide an overview of the real estate industry and office real estate markets in which we operate. The information contained in that section might not be consistent with other information regarding the Philippine real estate industry. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by us, the Joint Lead Underwriters, the International Joint Bookrunner nor any of their respective Affiliates or advisers, and might not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. In particular, the section entitled "Industry" in this REIT Plan does not present the opinions of our Company, the Joint Lead Underwriters, the International Joint Bookrunner or any of their respective Affiliates.

In relation to information related to our Company and its operations, however, our Company has exercised diligence to the effect that, and, we confirm that to the best of our knowledge and belief after having taken reasonable care to ensure that such is the case, the information contained in this REIT Plan relating to our Company and its operations (and that of its Affiliates) is true and there is no material misstatement or omission of fact that would make any statement in this REIT Plan misleading in any material respect.

USE OF PROCEEDS

We estimate that our net proceeds from the Primary Offer, based on an Offer Price of ₱27.00 per Offer Share, will be approximately ₱1,188.5 million after deducting the applicable underwriting fees and commissions and expenses for the Primary Offer (excluding any additional expenses that may be incurred in relation to the Over-allocation Option) payable by us.

We intend to use a majority of our net proceeds from the Primary Offer to fund our Company's intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria. We estimate that ₱1,188.5 million of our net proceeds will be used to fund our acquisition of Teleperformance Cebu, or alternative building. Please see the section entitled "Business and Properties – Business Strategies" in this REIT Plan. If our acquisition of Teleperformance Cebu, (or an alternative building), or our planned investments in other real estate properties in Metro Manila and other key regions in the Philippines do not occur for any reason, we will instead use the net proceeds from the Primary Offer intended for those planned transactions to invest in or acquire other, similarly-situated real estate properties. While the Company is not contemplating to acquire the land on which the Teleperformance Cebu property is built at this time, there is nothing preventing it from doing so in the future in accordance with the requirement of the law if the timing and opportunity is right. Disbursements in connection with the following proposed use of proceeds from the Primary Offer are projected to be completed by the end of 2020.

Further details of our proposed use of net proceeds from the Primary Offer, based on an Offer Price of ₱27.00 per Offer Share, as well as our estimated timetable for use of the proceeds are as follows:

Proposed Use	Estimated Amount	Percentage	Estimated Disbursements of Proceeds
	(₱ million)	**(%)**	
Intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria[(1)]	1,188.5	100	By the end of 2020
Total Amount	**1,188.5**	**100**	–

Note:

(1) The estimated amount for funding of future real estate acquisitions is intended to facilitate our Company adding to our property portfolio certain properties, whether belonging to our Sponsor or third parties, that meet our specified investment criteria and that will help maximize dividends for our shareholders. At the present stage, we have entered into a Memorandum of Agreement with APRC, a wholly-owned Subsidiary of Ayala Land, to acquire the building for Teleperformance Cebu (excluding the land), or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, following the completion of the Primary Offer. As a result, the estimated amount will fund the acquisition price for the commercial buildings of the mixed-use development of Teleperformance Cebu, or an alternative property. While the Company is not contemplating to acquire the land on which the Teleperformance Cebu property is built at this time, there is nothing preventing it from doing so in the future in accordance with the requirement of the law if the timing and opportunity is right. Please see the section entitled "Related Party Transactions – Our Company's Existing Related Party Transactions" in this REIT Plan. While we have engaged in investigation regarding certain other real estate properties, we have not entered into any definitive commitments regarding such potential acquisitions.

If the expected gross proceeds are not realized, we will use our internally generated funds from operations and existing cash, existing credit lines, and other potential borrowings to finance the expected uses.

The proposed use of proceeds described above represents best estimates of the use of net proceeds of the Primary Offer based on our current plans and expenditures. The actual amount and timing of disbursement of the net proceeds from the Primary Offer for the uses stated above will depend on various factors which include, among other things, changing market conditions. Our cost estimates may change as our Company and our Fund Manager develop plans for our Company, and actual costs may be different from our budgeted costs. Pending the deployment of the proceeds, the funds will be placed in deposits with banks and institutions, or used for investment in short-term money market instruments or debt instruments, as our Fund Manager may deem fit. None of the proceeds from the Firm Offer will be used to repay any debts of our Company with the Bookrunner. The Company will make periodic announcements on the utilization of the net proceeds from the Primary Offer as and when such funds are materially utilized. The Company will disclose the actual use of such proceeds in our Company's annual report.

In the event of any deviation, adjustment, or reallocation in the planned use of proceeds, we shall inform our Shareholders, the SEC, and the PSE in writing at least 30 calendar days before such deviation, adjustment, or reallocation is implemented. Any material or substantial adjustments to the use of proceeds from the Primary Offer, as indicated above, should be approved by the Board and disclosed to the PSE. In addition, we shall submit via the PSE's Electronic Disclosure Generation Technology the following disclosure to ensure transparency in the use of proceeds:

(i) Any material disbursements made in connection with the planned use of proceeds from the Primary Offer;

(ii) quarterly progress reports on the application of the proceeds from the Primary Offer on or before the first 15 calendar days of the following quarter; the quarterly progress reports should be certified by our Company's Chief Finance Officer or Treasurer and external auditor;

(iii) an annual summary of the application of the proceeds from the Primary Offer on or before January 31 of the following year; the annual summary report should be certified by our Company's Chief Finance Officer or Treasurer and external auditor; and

(iv) approval by the Board of any reallocation on the planned use of proceeds from the Primary Offer. The actual disbursement or implementation of such reallocation must be disclosed by our Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (ii) and (iii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds from the Primary Offer in the REIT Plan, if any. The detailed explanation must state the approval of the Board as required in item (iv) above.

Expenses

Based on an Offer Price of ₱27.00 per Offer Share, we estimate that the total proceeds from the Primary Offer, total expenses for the Primary Offer, and the net proceeds from the Primary Offer will be (excluding any additional expenses that may be incurred in relation to the Over-allocation Option):

	Estimated Amounts Firm Offer
	(₱ millions)
Estimated Proceeds from the Offer	**1,292.3**
Less: Estimated fees, commissions and expenses	
SEC registration, filing, and research Fees	5.9
PSE listing and processing fee	26.8
Estimated Underwriter, Selling Agent, and other professional fees	58.8
Estimated DST and other expenses	12.3
Total estimated expenses	**103.8**
Estimated net proceeds from the Offer	**1,188.5**

Based on an Offer Price of ₱27.00 per Offer Share, we estimate that the total proceeds from the Secondary Offer, total expenses for the Secondary Offer, and the net proceeds from the Secondary Offer will be:

	Estimated Amounts	
	If Over-allocation Option is not fully exercised	Assuming full exercise of Over-allocation Option
	(₱ millions)	
Estimated Proceeds from the Offer	**11,043.5**	**12,277.1**
Less: Estimated fees, commissions and expenses		
Estimated Underwriter and Selling Agent fees	220.9	245.5
Stock transaction fees	66.2	73.7
Total estimated expenses	**287.1**	**319.2**
Estimated net proceeds from the Offer	**10,756.4**	**11,957.9**

Estimated other expenses include fees for roadshow expenses, publication, and other third-party services (e.g. stock transfer, receiving agency, LSI application processing fees, and printing, publication, and out-of-pocket expenses) that our Company expects to incur in relation to the Offer.

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above.

DIVIDENDS AND DIVIDEND POLICY

REIT Law Distribution Requirements

The REIT Law provides that a REIT, to be entitled to the tax benefits under the REIT Law and to maintain its status as a public company, is directed to distribute annually a total of at least 90% of its net income as adjusted for unrealized gains and losses/expenses and impairment losses, and other items in accordance with internationally accepted accounting standards (excluding proceeds from the sale of the REIT's assets that are re-invested in the REIT within one year from the date of the sale) ("**Distributable Income**") as dividends to its shareholders. Such distribution must be no later than the last working day of the fifth (5th) month following the close of the fiscal year of the REIT subject to the following:

(1) The dividends shall be payable only from the unrestricted retained earnings of the REIT as provided for under Section 42 of the Philippine Corporation Code. However, the retained earnings of the REIT may only be restricted and not available for distribution under the circumstances enumerated under Section 42 of the Philippine Corporation Code and when approved by at least a majority of the entire membership of the board of directors, including the unanimous vote of all independent directors of the REIT; provided finally, once the purpose of the restriction is accomplished, the REIT shall immediately cancel the restriction and distribute the corresponding retained earnings upon majority vote of the members of the board of directors.

(2) The percentage of dividends with respect to any class of stock to be received by the Public Shareholders, as defined in the REIT Law, to the total dividends with respect to that class of stock distributed by the REIT from out of its Distributable Income must not be less than such percentage of their aggregate ownership of the total outstanding shares of the REIT with respect to that class of stock. Any structure, arrangement, or provision which would have the effect of diminishing or circumventing in any form this entitlement to dividends shall be void and of no force and effect.

(3) The income distributable as dividend by the REIT shall be based on the audited financial statements for the recently completed fiscal year prior to the prescribed distribution. The audited financial statements of the REIT shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the REIT Law. However, the audited financial statements shall not be required before the REIT can distribute quarterly and/or semi-annual dividends; provided, the REIT has reasonable grounds to believe that the maximum dividends that it may distribute in such fiscal year shall not be more than its Distributable Income based on its audited financial statements for such fiscal year, as provided above.

(4) A REIT may declare either cash, property, or stock dividends; provided that, in addition to the requirements of the Philippine Corporation Code, the declaration of stock dividends must be approved by at least a majority of the entire membership of the board of directors, including the unanimous vote of all independent directors of the REIT and subject to approval of the SEC within five working days from receipt of the request for approval. If the SEC does not act on said request within such period, the same shall be deemed approved.

(5) Distributable Income excludes proceeds from the sale of REIT's assets that are re-invested by the REIT within one year from the date of the sale. Gain from the said sale does, however, form part of the distributable income.

(6) The income distributable by the REIT shall be adjusted by deducting the following unrealized or non-actual gains and losses:

   a. Unrealized foreign exchange gains, except those attributable to cash and cash equivalents;

   b. Fair value adjustment or the gains arising from marked-to-market valuation which are not yet realized;

   c. Fair value adjustment of investment property resulting to gain;

   d. The amount of recognized deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized;

   e. Adjustment due to a deviation from any of the prescribed accounting standard which results to gain; and

   f. Other unrealized gains or adjustments to the income as a result of certain transactions accounted for under the PFRS.

(7) Non-actual expenses/losses that are allowed to be added back to distributable income shall be limited to the following items:

   a. Depreciation on revaluation increment (after tax);

   b. Adjustment due to any of the prescribed accounting standard which results to a loss; and

   c. Loss on fair value adjustment of investment property (after tax).

Record Date

Pursuant to existing SEC regulations, all cash dividends declared by listed companies must have a record date which shall not be less than 10 calendar days and not more than 30 calendar days from the date the cash dividends are declared. Under such rules, if no record date is specified, the record date will be deemed fixed at 15 calendar days from such declaration.

With respect to stock dividends, the record date shall be not less than 10 calendar days nor more than 30 calendar days from the date of shareholder approval. If no record date is set, under SEC rules, the record date will be deemed fixed at 15 calendar days from the date of the stock dividend declaration. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Under the Revised Disclosure Rules of the PSE, the disclosure by a listed company of the record date for dividend declarations must not be less than 10 trading days from said date.

Lastly, under the PSE Rules, the payment date shall not be more than 18 trading days from the record date.

Our Company's Dividend Policy

As of the date of this REIT Plan, our Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which our Company's shareholders are entitled to receive at least 90% of our annual Distributable Income. Over the last three years, we have distributed at least 85% of our prior year's Distributable Income to our shareholders, AyalaLand Offices since 2016, and together with Ayala Land since 2018, thus:

	Dividends	Prior Year Net Income	% of Dividends
2017	362,500,000	425,775,536	85%
2018	384,000,000	446,780,761	86%
2019	961,297,669	537,091,374	179%

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

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

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

We expect to spend ₱54 million for capital expenditures for fiscal year 2020. These are related to building improvements and maintenance of Solaris One and Ayala North Exchange, and which will be funded through cash from operating activities. Capital expenditures are capitalized as part of the Deposited Property. Costs of the capital expenditure are depreciated over its useful life.

PROFIT FORECAST AND PROFIT PROJECTION

Statements contained in the Profit Forecast and Profit Projection section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section of the REIT Plan and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecasted and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, guarantee, warranty or prediction with respect to the accuracy of the underlying assumptions by any of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Underwriters, our Sponsor or any other party involved in the Offer, or that these results will be achieved or are likely to be achieved (see "Forward-looking Statements" and "Risk Factors" for further details). Investors in the Shares are cautioned not to place undue reliance on these forward-looking statements which are made only as of the date of this REIT Plan.

The SEC does not recommend any investments or investment strategies and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this REIT Plan.

None of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Underwriters, or our Sponsor, or any other party involved in the Offer guarantee the performance of the Company, the repayment of capital or the payment of any distributions, or any particular return on the Shares. The forecast and projected yields stated in the following table are calculated based on:

- ***The Offer Price; and***
- ***The assumption that the Listing Date is August 01, 2020.***

Such yields will vary accordingly if the Listing Date is not August 1, 2020, or for investors who purchase Shares in the secondary market at a market price that differs from the Offer Price. For the avoidance of doubt, Shareholders shall only be entitled to dividends of the Company if they are shareholders as of the record date of such dividend declaration. The Company will declare the dividends for the financial year 2020 after the Listing Date; hence, Shareholders, including the IPO investors, will be entitled to dividends for 2020 that accrued even before August 1, 2020. The following table shows the Company's forecast and projected Statements of Comprehensive Income and Distribution for the Forecast Period August 1 to December 31, 2020 and Projection Year 2021. The financial year end of the Company is December 31. The Profit Forecast and Profit Projection may be different to the extent that the actual date of issuance of Shares is other than August 1, 2020, being the assumed date of the issuance of Shares for the Offer.

The Company is solely responsible for the Profit Forecast and Profit Projection, including the assumptions set out on pages 92 to 102 of the Prospectus on which they are based.

SGV & Co. has examined the Profit Forecast and Profit Projection, excluding certain non-GAAP measures, their reconciliation, calculation and amounts such as Funds from Operations, Adjusted Funds from Operations (AFFO), AFFO payout ratio, dividends payout ratio, illustrative price range per share, dividends, offer price, dividend yield%, net operating income and capital expenditure as set out on pages 91, 92, 98, 99 and 100 of the Prospectus which have been prepared on the basis of the assumptions as set out on pages 92 to 102 of the Prospectus, in accordance with Philippine Standard on Assurance Engagements (PSAE) 3400, The Examination of Prospective Financial Information. This section should be read together with their report "Independent Auditor's Report on Examination of the Profit Forecast and Profit Projection" set out in Appendix A.

Forecast and Projected Statements of Comprehensive Income and Distribution

The forecast and projected Statements of Comprehensive Income and Distribution are as follows:

	Forecast Period 2020 (Five Months from August 1 to December 31, 2020) (Unaudited)[1]	Projection Year 2021 (Full Year from January 1 to December 31, 2021) (Unaudited)
	₱ million	₱ million
REVENUE		
Rental income	675	1,700
Dues	106	308
Interest income from finance lease receivable[2]	63	150
	844	2,158
COST AND EXPENSES		
Direct operating expenses	(299)	(748)
General and administrative expenses	(2)	(6)
	(301)	(754)
OTHER INCOME (CHARGES) – Net		
Interest income	21	34
Interest expense	(30)	(71)
	(9)	(37)
INCOME BEFORE INCOME TAX	534	1,367
Benefit from income tax[3]	72	–
NET INCOME	**606**	**1,367**
Distribution adjustments	**–**	**–**
DISTRIBUTABLE INCOME	**606**	**1,367**
Dividend payout ratio (%)[4]	111%	119%
Dividends[5]	**1,349**	**1,625**
No. of outstanding shares (in million)[6]	1,026	1,026
Dividends per share	**1.31**	**1.58**
Offer Price	₱ 27.00	₱ 27.00
Dividend yield (%)[7]	4.85%	5.85%

Notes:

(1) In preparing the "Profit Forecast and Profit Projection", our Company has assumed, among others, that it will acquire Teleperformance Cebu from ARPC, a wholly owned Subsidiary of our Sponsor, in October 2020 for an amount of ₱1.45 billion (excluding VAT). The acquisition is assumed to be funded by (i) the estimated net proceeds from the Primary Offer and (ii) the Company's excess cash that is temporarily invested in the form of intercompany loans.

(2) Interest income from finance lease receivables is consistent with the presentation in the March 31, 2020 Interim Audited Financial Statements. This was previously presented as "Other Income" in the 2019 Audited Financial Statements.

(3) Benefit from income tax arises from the derecognition of net deferred tax liabilities due to the change in applicable tax regime after the Listing Date.

(4) Dividend payout ratio is derived by dividing dividends by full year distributable income. Refer to the discussion in "Dividends" section for the calculation of the full year distributable income.

(5) The dividends for full year 2020 will be distributed to Shareholders, including IPO investors. Forecasted and projected dividends are based on adjusted funds from operations (AFFO). Refer to the discussion in "Dividends" section for the reconciliation of net income in accordance with PFRSs to AFFO.

(6) No. of outstanding shares is derived by adding the existing 977,792,435 common shares as of March 31, 2020 to the Primary Offer Common Shares of 47,864,000.

(7) Dividend yield is derived by dividing dividends per share by the offer price per share. Number of outstanding shares at the end of both Forecast Period 2020 and Projection Year 2021 is equal to 1,026 million.

ASSUMPTIONS

The Company has prepared the Profit Forecast and Profit Projection on the following assumptions. The Company considers these assumptions to be appropriate and reasonable as at the date of this REIT Plan. However, investors should consider these assumptions as well as the Profit Forecast and Profit Projection and make their own assessment of the future performance of the Company.

Revenue and Net Operating Income Contribution of Each Property

The forecast and projected contributions of each of the Properties to Revenue are as follows:

Contribution to Revenue	Forecast Period 2020 (Unaudited)		Projection Year 2021 (Unaudited)	
	(₱ million)	(%)	(₱ million)	(%)
Solaris One	315	37%	767	36%
Ayala North Exchange	430	51%	1,074	50%
McKinley Exchange	54	7%	135	6%
Teleperformance Cebu	45	5%	182	8%
Total	844	100%	2,158	100%

The forecast and projected contributions of each of the Properties to Net Operating Income are as follows:

Contribution to Net Operating Income	Forecast Period 2020 (Unaudited)		Projection Year 2021 (Unaudited)	
	(₱ million)	(%)	(₱ million)	(%)
Solaris One	232	43%	574	41%
Ayala North Exchange	250	45%	636	45%
McKinley Exchange	37	7%	96	7%
Teleperformance Cebu	26	5%	104	7%
Total	545	100%	1,410	100%

Note: Net operating income is calculated as revenue less direct operating expenses.

REVENUE

Revenue comprises:

- Rental Income from office, retail and parking components of the Properties;
- Dues pertains to net recoveries from tenants for the usage of common area and utilities; and
- Interest income from finance lease receivable pertains to the accretion of finance lease receivable arising from finance lease agreement.

Rental Income

The forecast and projected Rental Income for the Properties are estimated as follows:

Rental Income	Forecast Period 2020 (Unaudited)		Projection Year 2021 (Unaudited)	
	(₱ million)	**(%)**	**(₱ million)**	**(%)**
Solaris One	248	37%	592	35%
Ayala North Exchange	343	51%	846	50%
McKinley Exchange	49	7%	120	7%
Teleperformance Cebu	35	5%	142	8%
Total	675	100%	1,700	100%

The following assumptions are considered by the Company to forecast and project the Rental Income:

- Rental Income presented above includes the effect of straight-line basis of accounting over the lease term, in compliance with PFRS 16. For the Forecast Period 2020, the Company recognized adjustments from straight-line method of ₱10.91 million increase in rental income, while for Projection Year 2021, the Company recognized reduction in Rental Income of ₱36.00 million.
- 97.35% and 97.98% of Rental Income (exclusive of straight-line rent) for Forecast Period 2020 and Projection Year 2021, respectively, are based on executed contract of leases as of the date of the REIT Plan. Existing contract of leases normally have tenancy periods of between five and ten years. Rental escalation provisions are also built into the Company's existing leases, generally ranges from 3-10% per year.
- The remaining 2.65% and 2.02% in Forecast Period 2020 and Projection 2021, respectively, are based on renewals of existing leases and new tenant leasing assumptions, taking into account historical occupancy rates of the Properties, market rental rates and provision for vacancy. Given the historical renewal rate of the Company since 2008 for Solaris One and considering that its properties, Ayala North Exchange, McKinley Exchange and Teleperformance Cebu, have the similar composition of tenants (i.e., mostly BPO; see further discussion in Tenants Profile section of this REIT Plan), AREIT expects to have similar level of tenancy renewals and stability in its tenant base.

Dues

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

	Forecast Period 2020 (Unaudited)	Projection Year 2021 (Unaudited)
	₱ million	**₱ million**
Dues	293	772
Direct operating expenses		
Utilities	(130)	(324)
Repairs and maintenance	(30)	(73)
Outside services	(24)	(59)
Other operating expenses	(3)	(8)
	(187)	(464)
	106	**308**

Below are the assumptions used in computing for the Dues:

- Dues are recognized when related services are rendered. Common area and fixed aircon charges are computed based on rates stated on the executed contracts of lease multiplied by the gross leasable area occupied by the tenant. Dues includes also utilities recoveries computed based on historical consumptions of tenants multiplied by historical recovery rates.

- Utilities are charges based on actual consumption of tenants. For Forecast Period 2020 and Projection Year 2021, these are computed using historical consumptions of tenants and historical rates.

- Repairs and maintenance expenses are estimated based on historical expenses and adjusted for inflation rate of 3%.

- Outside services are calculated based on historical expenses, with provision also for possible expected wage increase for security and janitorial. These are also adjusted for inflation rate of 3%.

- Other operating expenses composed of pest control, fee for garbage collection, transportation, supplies, postal and communication and other administrative expenses. These are based on historical trends of each of the expenses and adjusted for inflation rate of 3%.

Interest Income from Finance Lease Receivable

- Interest income from finance lease receivable of Ayala North Exchange's serviced apartments is presented separately under revenues. In 2019, the Company entered into a long-term building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for the lease of the serviced apartments in Ayala North Exchange. The Company classified the lease agreement with MNHVI as a finance lease.

COST AND EXPENSES

Cost and expenses consist of:

- Direct operating expenses; and
- General and administrative expenses.

Direct Operating Expenses

Direct operating expenses for the Properties comprised of:

	Forecast Period 2020 (Unaudited)	Projection Year 2021 (Unaudited)
	₱ million	**₱ million**
Depreciation	104	271
Taxes and licenses	63	141
Land lease	49	126
Fund management fee	39	99
Property management fee	37	92
Others	5	13
Insurance	2	6
	299	**748**

Summary of the assumptions which have been considered in calculating the direct operating expenses is set out below:

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (i.e., 5 to 40 years). This includes depreciation on the right-of-use asset recognized from the lease agreement of the Company with Ayala Land, Inc. for McKinley Exchange which commenced on February 1, 2020. Broker's commissions incurred are capitalized also as part of the book value of the Properties.

Taxes and Licenses

Taxes and licenses are composed of business taxes and real property taxes payable to the municipality in which the properties are located. For real property taxes, these are computed based on 80% of market value per tax declarations of the properties multiplied by the current property tax rate. While business taxes are computed based on estimated gross rental receipts multiplied by the historical business tax rates. Amounts are also adjusted for 1% provision for possible increase in assessments.

Land Lease

Land lease pertains to rentals of land area where the Properties are located. These are computed based on the terms stated in the executed land lease agreements for each property. For Solaris One, rent is based on 7% of gross rental income that is payable to Ayala Land, Inc. For Ayala North Exchange, rent is based on percentage of gross rental income from retail and office tenants and total revenues from serviced apartments. The applicable rental rate payable to HLC Development Corp. for each authorized activity is as follows:

	Rental rate
Retail	5.5% of gross rental income
Office	9.5% of gross rental income
Serviced apartments	3.2% of total revenues

While for Teleperformance Cebu, this is computed based on 5% of gross rental income that is also payable to Ayala Land, Inc. starting October 1, 2020.

Fund Management Fee

Under the Fund Management Agreement, our Fund Manager will receive a management fee, equivalent to 0.10% of the Deposited Property Value plus 3.5% of the EBITDA before deduction of fees payable to our Fund Manager and Property Manager and after deducting interest expense from lease liabilities, exclusive of value-added taxes. Our Fund Manager shall likewise be entitled to an Acquisition Fee equivalent to 1% of the acquisition price, for every acquisition made by it on behalf of the Company, exclusive of value-added taxes, as well as a Divestment Fee of 0.50% of the sales price for every property divested by it on behalf of the Company, exclusive of value-added taxes. The total amount of the management fee, acquisition fee, and divestment fee, paid to our Fund Manager in any given year shall not exceed 1% of the Net Asset Value of the properties under management (the Management Fee, Acquisition Fee, and Divestment Fee shall be collectively referred to as "**Fund Management Fee**"). The Fund Management Fee is structured to align the interests of our Fund Manager and the Shareholders. As such, the Fund Management Fee is calculated based on the Deposited Property Value plus the Company's EBITDA prior to deduction of the fees payable to our Fund Manager and our Property Manager and after deducting interest expense from lease liabilities. For the avoidance of doubt, the Company's EBITDA includes interest income from finance lease. For the purposes of calculating the Fund Management Fee, Deposited Property Value is defined as the total value of the Company's assets reflecting the fair market value of the total assets held by the Company and under management by our Fund Manager. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = *(0.0010 x Deposited Property Value for the relevant period)*
+ (0.035 x EBITDA before deduction of fees payable
to our Fund Manager and Property Manager and after deducting
interest expense from lease liabilities for the relevant period)
+ (0.01 x acquisition price for every acquisition made,
if applicable)
+ (0.0050 x sales price for every property divested, if applicable)

The Fund Management Fee shall be due and payable to our Fund Manager in quarterly installments. The relevant period refers to the quarter for which the Fund Management Fee is to be applied.

Property Management Fee

Under the Property Management Agreement, our Property Manager will receive an annual management fee equivalent to 3% of the Company's Gross Rental Income and Interest Income from finance lease per year, plus 2% of the Company's EBITDA before deducting fees payable to our Fund Manager and Property Manager and after deducting interest expense from lease liabilities, provided that such fee shall not exceed 1% of the Net Asset Value of the properties being managed (the "**Property Management Fee**"). The Property Management Fee is structured to ensure that our Property Manager provides superior service to the Company and the Properties our Property Manager oversees. As such, the Property Management Fee is calculated based on the Company's Rental Income and EBITDA. For the avoidance of doubt, the Company's EBITDA includes interest income from finance lease. For the purpose of calculating the Property Management Fee, Rental Income is defined as the total amount payable by all tenants and licensees pursuant to a lease or license, which includes rent and fees payable under such lease or license agreement and related service charges. In computing the Property Management Fee, the formula to be used shall be as follows:

Property Management Fee	=	*(0.03 x Gross Rental Income plus Interest Income from finance lease for the relevant period)* *+ (0.02 x EBITDA before deducting fees payable to our Fund Manager and Property Manager and after deducting interest expense from lease liabilities for the relevant period)*

The Property Management Fee shall be due and payable to our Property Manager in quarterly installments. The relevant period refers to the quarter for which the Property Management Fee is to be applied.

Insurance

Insurance pertains to the Company's properties insurance, the premiums for all risk insurance, business interruption policies and property damage coverage. This is being assessed and paid annually. Amount and scope of insurance coverage is being estimated based on the Company's current insurance policies.

Others

This pertains to other operating expenses like transportation, representation, admin fee and dues. Forecast and projections are based on historical trends and adjusted for inflation rate of 3%.

General and Administrative Expenses

General and administrative expense consists of recurring expenses such as audit fees, tax and legal fees, valuation fees, and other expenses related to investor preparation and distribution of reports. This also includes depreciation for the office and IT equipment of the Company.

OTHER INCOME (CHARGES)

Interest Income

Interest income consists of interest income from intercompany loans and cash in banks.

Interest income from intercompany loans arises from short-term, interest-bearing loans extended to Related Parties have been estimated based on interest rate of 4%.

As of March 31, 2020, the balance of the Company's intercompany loans amounted to ₱1,806.27 million.

Interest Expense

Interest expense pertains to accretion of security deposits and lease liabilities.

Interest expense on accretion of security deposits has been estimated based on the discount rate at the time of receipt of security deposits. Interest expense on accretion of lease liabilities pertains to lease agreement of the Company with Ayala Land, Inc. for McKinley Exchange property and has been estimated based on the applicable incremental borrowing rate on February 1, 2020.

The Company assumed that no additional security deposits will be received for the Forecast Period 2020 and Projection Year 2021 from Solaris One and Ayala North Exchange and McKinley Exchange. The Company also assumed that there will be no additional security deposits to be received from lease contracts from Teleperformance Cebu for Forecast Period 2020 and Projection Year 2021.

PROVISION FOR INCOME TAX

Provision for income tax consists of current and deferred tax.

For Forecast Period 2020 and Projection Year 2021, there is no provision for income tax recognized since the Company will be paying out more than 100% of its Distributable Income as dividends.

See the section on "Regulatory and Environmental Matters" in this REIT Plan for further details regarding taxes.

CAPITAL EXPENDITURE

Capital expenditure incurred is expected to be capitalized as part of the Deposited Property. The following table sets out the expected capital expenditure for Forecast Period 2020 and Projection Year 2021:

Capital expenditure	**Forecast Period 2020 (Unaudited)**	**Projection Year 2021 (Unaudited)**
	₱ million	**₱ million**
Solaris One	27	17
Ayala North Exchange	24	23
McKinley Exchange	3	4
Teleperformance Cebu	–	5
Total	54	49

Capital expenditures have been forecasted and projected based on property manager's and maintenance team's assessments and reports presented to the Company's management team. These are estimated based on 3-5% of gross rental receipts for all Properties. These capital expenditures will upkeep, upgrade and refurbish the Company's properties. These will be funded through the Company's cash from operating activities.

DIVIDENDS

Funds from operations ("**FFO**") is equal to net income, excluding gains or losses from sales of property and adding back real estate depreciation. Adjusted funds from operations ("**AFFO**") is calculated by subtracting from FFO both (1) recurring capital expenditures that are capitalized by the Company and then amortized, but which are necessary to maintain the Company's properties and its revenue stream and (2) income from straight-line method of recognizing revenue.

Our Company believes that the use of FFO and AFFO, combined with the required PFRSs presentations, improves the understanding of our operating results among investors. AFFO is an important measurement because the Company's leases generally have contractual escalations of base rents that is not directly observable in the Company's statements of comprehensive income due to application of straight-line method of recognizing Rental Income. Non-cash expenses such as depreciation on investment properties are added while capital expenditures on existing investment properties are deducted in the calculation of AFFO. Hence, the Company believes that AFFO provides a better measure of its dividend-paying capability.

AFFO should not be considered as an alternative to cash flows from operating activities (calculated pursuant to PFRSs) as an indicator of the Company's liquidity.

	Forecast Period 2020 (Unaudited)	**Projection Year 2021 (Unaudited)**
	₱ million	**₱ million**
Net income	**606**	**1,367**
Distribution adjustments	–	–
Distributable Income	**606**	**1,367**
Depreciation on investment properties and right-of-use asset	104	271
Funds from operations (FFO)	**710**	**1,638**
Capital expenditures on existing investment properties	(54)	(49)
Straight-line rent adjustments	(11)	36
Adjusted funds from operations (AFFO)	**645**	**1,625**

	Forecast Year 2020[1] (Unaudited)	**Projection Year 2021 (Unaudited)**
	₱ million	**₱ million**
AFFO from January 1 to July 31, 2020[2]	704	–
AFFO[3]	**1,349**	**1,625**
AFFO payout ratio	100%	100%
Dividends[4]	**1,349**	**1,625**
• Distributable Income	1,211	1,367
• In excess of Distributable Income	138	258
Total dividends as percentage of Distributable Income[5]	***111%***	***119%***

Notes:

(1) For the period from January 1 to December 31, 2020.

(2) AFFO from January to July 31, 2020 is derived from the following:

	Forecast period from January 1 to July 31, 2020 (Unaudited)
	₱ million
Net income from January 1 to July 31, 2020	609
Distribution adjustment*	(4)
Distributable income from January 1 to July 31, 2020	**605**
Depreciation on investment properties and right-of-use asset from January 1 to July 31, 2020	124
Funds from operations from January 1 to July 31, 2020	**729**
Straight-line rent adjustments	(25)
AFFO from January 1 to July 31, 2020	**704**

** Distribution adjustment pertains to the recognized deferred tax asset from January 1 to July 31, 2020*

(3) AFFO for the forecast year 2020 is derived from adding (a) AFFO from Forecast Period 2020 amounting to ₱645 million and (b) AFFO from January 1 to July 31, 2020 amounting to ₱704 million.

(4) Dividends are derived by multiplying AFFO to AFFO payout ratio.

(5) Total dividends as percentage of Distributable Income are derived by dividing dividends by Distributable Income.

The REIT Law expects a REIT to distribute annually a total of at least 90% of its Distributable Income. In Forecast Period 2020 and Projection Year 2021, the Company expects to distribute more than 100% of its Distributable Income. Hence, the Company expects to pay special dividends of ₱137.89 million and ₱257.83 million on top of its Distributable Income in Forecast Year 2020 and Projection Year 2021, respectively. For avoidance of doubt, the Company will declare the dividends for the financial year 2020 after the Listing Date. Hence, Shareholders, including the IPO investors, will also be entitled to dividends that accrued before the Listing Date provided that they are shareholders as of the record date of such dividend declaration.

A payout ratio of more than 100% means that the Company will pay dividends that are higher than the forecasted and projected income available for distribution to Shareholders. The dividends in excess of Distributable Income to Shareholders will be paid out of the Company's existing retained earnings. As of March 31, 2020, the Company has retained earnings available for dividend distribution of ₱1,037.58 million, which differs from the retained earnings balance of ₱1,274.62 million presented in the Company's Audited Financial Statements as of March 31, 2020. The difference is due to deferred taxes and is indicated in the reconciliation schedule of retained earnings available for dividend declaration, a supplementary schedule to the Audited Financial Statements.

ACCOUNTING STANDARDS

The Company has adopted the Philippine Financial Reporting Standards (PFRSs).

The Company assumes that the change in applicable accounting standards or other financial reporting requirement will not have a material effect on the Profit Forecast and Profit Projection. Significant accounting policies adopted by the Company in the preparation of the Profit Forecast and Profit Projection are set out in the Audited Financial Statements of the Company as of March 31, 2020 and December 31, 2019, and for the periods ended March 31, 2020 and 2019.

OTHER ASSUMPTIONS

The Company has made the following additional assumptions in preparing the Profit Forecast and Profit Projection:

- in relation to the effect of COVID-19 outbreak, the government of the Philippines, under Duterte Administration imposed an Enhanced Community Quarantine (ECQ) effective March 16, 2020 throughout the island of Luzon until May 15, 2020. Starting May 16 to May 31, 2020, Metro Manila and other areas in Luzon were placed to Modified ECQ as imposed by the government. Starting June 1, 2020 to June 30, 2020, Metro Manila and other areas in Luzon were placed to General Community Quarantine (GCQ) as imposed by the government. With this, the operations within retail spaces of Properties were affected, but operations within the office spaces are continuing and unhampered. The Company granted rental waivers and discounts for three-and-a-half (3.5) months for all its retail merchants, following directives from the Philippine Government. There were no rental waivers granted for office tenants and there is no concern on tenants' liquidity. The estimated total amount of rental waived and discounts granted is ₱18.06 million. Utilities under direct operating expenses is estimated to decrease by 2% as a result of lower electricity and water consumption during the Enhanced Community Quarantine period;

- on February 1, 2020, the Company commenced the lease from Ayala Land, Inc. of the land and building of McKinley Exchange for a period of 34 years which is the basis for depreciating the right-of-use asset. The Company recognized a right-of-use asset and lease liabilities amounting to ₱853.15 million in accordance with PFRS 16 based on the fixed monthly lease payments of ₱2.73 million with 5% annual escalation;

- for Forecast Period 2020, the Company assumed that it acquired Teleperformance Cebu from APRC, a wholly-owned Subsidiary of our Sponsor, in October 2020 for an amount of ₱1.45 billion (excluding VAT and transaction costs);

- apart from Teleperformance Cebu, the Company did not assume additional property acquisitions during Forecast Period 2020 and Projection Year 2021;

- the fair values of the property portfolio are computed using income approach and remain unchanged during Forecast Period 2020 and Projection Year 2021;

- apart from the initial public offering in August 2020, the Company assumed that there are no further equity or debt capital raised during Forecast Period 2020 August 1 to December 31, 2020 and Projection Year 2021;

- there will be no pre-termination of any committed leases (unless notice has already been given);

- there will be no change in the applicable tax legislation, other applicable legislation, or regulatory or juridical interpretation of the same for Forecast Period 2020 and Projection Year 2021, except as disclosed (See the section entitled "Taxation and "Legal Matters" in this REIT Plan for further details);

- all leases and licenses as of August 1, 2020 are enforceable and will be performed in accordance with their terms during the Forecast Period 2020 and Projection Year 2021; and

- in accordance with PFRS 16, the Company did not recognize a right-of-use asset and lease liabilities for the lease payments for land where the properties are situated (except for McKinley Exchange) since the lease payments of the Company under the said existing land lease contracts are purely variable and are linked to the future performance or use of the underlying assets.

SENSITIVITY ANALYSIS

The forecast and projected distributions included in this Prospectus are based on a number of assumptions that have been outlined above. The forecast and projected distributions are also subject to a number of risks as outlined in the section "Risk Factors".

Investors should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast or projected in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the Profit Forecast and Profit Projection, a series of tables demonstrating the sensitivity of the distribution yield to changes in the principal assumptions are set out below.

The sensitivity analyses are intended only as a guide. Variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any variable beyond the extent shown. The results of the sensitivity analyses below are based on the Offer Price of ₱27.00 per share.

Rental Income

Changes in Rental Income will impact the Net Income of the Company and consequently, the dividend yield. The assumptions for Rental Income have been set out earlier in this section. The effect of variations in the Rental Income on the dividend yield is set out below:

	Dividend yield pursuant to changes in Rental Income	
	Forecast Year 2020	**Projection Year 2021**
	(%)	(%)
5.0% above base case	5.15%	6.33%
Base case	4.85%	5.85%
5.0% below base case	4.59%	5.56%

Costs and Expenses

Changes in Costs and Expenses will impact the Net Income of the Company and consequently, the dividend yield. The assumptions for Costs and Expenses have been set out earlier in this section. The effect of variations in the Costs and Expenses on the dividend yield is set out below:

	Dividend yield pursuant to changes in Cost and Expenses	
	Forecast Year 2020	**Projection Year 2021**
	(%)	(%)
5.0% above base case	4.78%	5.74%
Base case	4.85%	5.85%
5.0% below base case	4.96%	6.00%

DETERMINATION OF THE OFFER PRICE

The Offer Price has been set at ₱27.00 per Offer Share. The Offer Price has been determined through a bookbuilding process and discussions among our Company, the Joint Bookrunners and the Joint Lead Underwriters. Since the Shares have not been listed on any stock exchange, there has been no market price for Shares derived from day-to-day trading.

The factors considered in determining the Offer Price included, among others, our ability to generate earnings and cash flow, our short-and long-term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer, and the market price of comparable listed companies. The Offer Price does not have any correlation to the book value of the Offer Shares.

CAPITALIZATION

The following table sets out our short-term debt, and long-term debt, equity and capitalization as of March 31, 2020 and as adjusted to reflect the sale of the Offer Shares based on an Offer Price of ₱27.00 per Offer Share, and the use of proceeds as described in this REIT Plan. Based on the Offer Price, the resulting market capitalization of our Company upon completion of the Offer is estimated to be approximately ₱27.7 billion.

The table should be read in conjunction with our financial statements and the notes thereto included in this REIT Plan, and is based on the assumption that the Offer Price is ₱27.00 per Offer Share. Other than as described herein, there has been no material change in our Company's capitalization since March 31, 2020.

	Actual as of March 31, 2020	As adjusted after giving effect to the Offer
	(in ₱ million)	**(in ₱ million)**
Total short-term debt	–	–
Total long-term debt	–	–
Total debt	–	–
Total equity	₱11,053	₱12,242
Total capitalization	11,053	12,242

NET ASSET VALUE

The following table shows our computation of the Net Asset Value per share. The Net Asset Value is computed by reflecting the fair market values of total assets and investible funds held by the Company, less total liabilities. Net Asset Value per share shall be computed by dividing Net Asset Value by the total outstanding shares of our Company.

	As of March 31, 2020[1]	After giving effect to the Offer
	(₱'000)	**(₱'000)**
Cash	187,204	1,375,734
Receivables[2]	2,525,141	2,525,141
Other current asset	593,645	593,645
Investment properties[3]	28,079,980	28,079,980
Right-of-use asset[4]	2,071,570	2,071,570
Property and equipment	18	18
Other noncurrent assets	679,935	679,935
Total Asset	**34,137,493**	**35,326,023**
Accounts and other payables	369,166	369,166
Income tax payable	141,205	141,205
Deposits and other liabilities	794,445	794,445
Construction bonds	12,800	12,800
Deferred tax liabilities[5]	57,504	–
Total Liabilities	**1,375,120**	**1,317,616**
Net Asset Value	**32,762,373**	**34,008,407**
Issued and outstanding Common Shares as of March 31, 2020 and after Offer ('000s)	977,792	1,025,656
Net asset value per share as of March 31, 2020 and after the Offer	**₱ 33.51**	**₱ 33.16**

Notes:

(1) Figures are based on 1Q2020 Audited Financial Statements of our Company.

(2) Excluding lease receivable from finance lease for the lease of serviced apartments in Ayala North Exchange.

(3) Inclusive of appraised value of serviced apartments in Ayala North Exchange. This figure is calculated based on the fair value of our Company's investment properties, determined based on the appraised value by Asian Appraisal. The appraised value of Solaris One and Ayala North Exchange (excluding the hotel portion of Ayala North Exchange which is being leased out and accounted for under finance lease) as of June 17, 2020 is different from the fair value disclosed in the 1Q2020 Audited Financial Statements of the Company due to timing difference.

(4) Represents appraised value of McKinley Exchange, which was leased from Ayala Land, Inc. on February 1, 2020.

(5) Post-listing the Company will derecognize the net deferred tax liabilities.

DILUTION

As of March 31, 2020, our Company's net tangible book value per Share was ₱11.30. Net tangible book value per Share represents total equity divided by the total number of shares outstanding. After giving effect to the sale of the Offer Shares at an Offer Price of ₱27.00 per Offer Share, and deducting estimated discounts, commissions, estimated fees and expenses of the Offer, the net tangible book value per Share would increase to ₱11.93 per Offer Share. At the Offer Price of ₱27.00 the Shares will be purchased at a premium of ₱15.07 to net tangible book value per Share.

The following table illustrates dilution on a per Share basis based on an Offer Price of ₱27.00 per Offer Share, assuming full exercise of the Over-allocation Option:

Offer Price per Offer Share	**₱**27.00
Net tangible book value per Share as of March 31, 2020[1]	₱11.30
Difference between Offer Price per Offer Share and net tangible book value per Offer Share as of March 31, 2020	₱15.70
Pro forma net tangible book value per share after the Offer and increased capital[2]	₱11.93
Dilution to investors in the Offer[3]	₱15.07

Notes:

(1) Total equity attributable to equity holders of our parent company per Share.

(2) Total equity after giving effect to the Offer divided by Shares issued and fully paid after the Offer.

(3) Calculated as Offer Price of ₱27.00 per Offer Share less pro forma net tangible book value per Share after the Offer.

The exercise of the Over-allocation Option and price stabilization activity will not result in any dilution on a per Share basis, as all Optional Shares are being offered by the Selling Shareholder.

In respect of the stabilization activities that may be conducted by the Stabilizing Agent:

1. in the event that the Stabilizing Agent fully exercises the Over-allocation Option because no price stabilization activity was conducted during the Option Period, the Stabilizing Agent shall purchase the Optional Shares at the Offer Price and shall deliver to the Selling Shareholder the purchase price for such Optional Shares;

2. in the event that the Stabilizing Agent exercises the Over-allocation Option only in part because of partial price stabilization activities conducted during the Option Period, the Stabilizing Agent shall (a) purchase the corresponding Optional Shares at the Offer Price and shall deliver to the Selling Shareholder the purchase price for such Optional Shares, and (b) redeliver, or procure the redelivery of, securities of an identical type, par value and description as the Optional Shares in such number as equal to the total number of Optional Shares less the number of Optional Shares purchased pursuant to the partial exercise of the Over-allocation Option; and

3. in the event that the Stabilizing Agent does not exercise the Over-allocation Option because of full price stabilization activities conducted during the Option Period, the Stabilizing Agent shall redeliver, or procure the redelivery of, securities of an identical type, par value and description as the Optional Shares, in such number as equal to the total number of Optional Shares.

The following table sets out the shareholdings, and percentage of Shares outstanding, of existing and new shareholders of our Company immediately after completion of the Offer, assuming full exercise of the Over-allocation Option:

	Number of Shares	**%**
Existing shareholders	523,084,735	51%
New investors	502,571,700	49%
Total	**1,025,656,435**	**100%**

See also the section entitled "Risk Factors – Risks Relating to the Offer Shares and an Investment in our Company – Future sales of Shares in the public market may adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings" in this REIT Plan.

SELECTED FINANCIAL AND OPERATING INFORMATION

This selected data should be read in conjunction with the independent auditors' report and with the financial statements of our Company and notes thereto contained in this REIT Plan, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."The selected data below was derived from the audited financial statements of our Company, prepared in accordance with PFRS as of and for the years ended December 31, 2016, 2017, 2018, and 2019 and for the three months ended March 31, 2019 and 2020.[17] For additional information, regarding financial information presented in this REIT Plan, see the section entitled "Presentation of Financial Information".

Statements of Comprehensive Income

	For the year ended December 31				For the three months ended March 31,	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	₱'000	**₱'000**	**₱'000**	**₱'000**	**₱'000**	**₱'000**
Revenue						
Rental income	545,229	551,966	696,018	1,323,923	316,957	355,992
Dues	138,186	146,235	169,314	192,321	59,549	53,344
Interest income from finance lease receivables	–	–	–	–	–	37,497
	683,415	698,201	865,332	1,516,244	376,506	446,833
Costs and expenses						
Direct operating expenses	146,019	145,442	181,014	436,017	103,324	126,414
General and administrative expenses	12,768	5,714	4,174	14,182	2,880	7,751
	158,787	151,156	185,188	450,199	106,204	134,165
Other income (charges)						
Gain under finance lease	–	–	–	397,139	–	–
Interest income	7,295	10,056	17,173	105,099	20,148	14,619
Interest expense	(3,182)	(4,016)	(16,810)	(12,563)	(3,706)	(18,769)
Other income	2,711	577	358	138	114	3,565
	6,824	6,617	721	489,813	16,556	(585)
Income before income tax	531,452	553,662	680,865	1,555,858	286,858	312,083
Provision for income tax	105,675	106,881	143,772	294,448	54,031	60,263
Net income	**425,777**	**446,781**	**537,093**	**1,261,410**	**232,827**	**251,820**

[17] The Company's audited financial statements for the years ended in December 31, 2016, 2017, and 2018 are under the name of One Dela Rosa Property Development, Inc. The Company's audited financial statement for the year ended in December 31, 2019 is under the name of AREIT, Inc.

Statements of Financial Position

	For the year ended December 31				Three months ended March 31
	2016	2017	2018	2019	2020
	₱'000	₱'000	₱'000	₱'000	₱'000
Current assets					
Cash	32,666	17,168	26,129	122,181	187,204
Receivables	391,404	447,647	2,010,998	1,994,500	2,250,169
Other current assets	49,512	73,314	118,498	157,603	593,645
	473,582	538,129	2,155,625	2,274,284	3,031,018
Noncurrent assets					
Noncurrent portion of receivables	51,878	86,774	209,418	2,556,979	2,580,402
Investment properties[(1)]	1,198,768	1,155,750	8,188,049	6,192,374	6,149,506
Property and equipment	139	116	51	20	18
Right-of-use asset	–	–	–	–	849,080
Deferred tax assets – net	27,826	23,203	24,694	–	–
Other noncurrent assets	192,257	192,509	1,001,816	968,057	679,935
	1,470,868	1,458,352	9,424,028	9,717,430	10,258,941
Total assets	**1,944,450**	**1,996,481**	**11,579,653**	**11,991,714**	**13,289,959**
Current liabilities					
Accounts and other payables	81,719	54,085	345,208	274,478	369,166
Income tax payable	23,126	21,351	58,588	71,242	141,205
Current portion of deposits and other liabilities	8,535	9,154	30,521	166,794	136,210
Current portion of lease liability	–	–	–	–	30,064
Construction bonds	3,561	2,800	2,738	11,105	12,800
	116,941	87,390	437,055	523,619	689,445
Noncurrent liabilities					
Deposits and other liabilities – net of current portion	230,914	248,215	641,982	600,134	658,236
Lease liability-net of current portion	–	–	–	–	832,227
Deferred tax liabilities	–	–	–	67,232	57,504
Total noncurrent liabilities	230,914	248,215	641,982	667,366	1,547,967
Total liabilities	**347,855**	**335,605**	**1,079,037**	**1,190,985**	**2,237,412**
Equity					
Paid-up capital	1,636,224	1,636,224	10,451,224	10,451,224	10,451,224
Treasury shares	(633,300)	(653,300)	(673,300)	(673,300)	(673,300)
Retained Earnings	593,671	677,952	722,692	1,022,805	1,274,623
Total equity	**1,596,595**	**1,660,876**	**10,500,616**	**10,800,729**	**11,052,547**
Total liabilities and total equity	**1,944,450**	**1,996,481**	**11,579,653**	**11,991,714**	**13,289,959**

Statements of Cash Flows

	For the year ended December 31				Three months ended March 31	
	2016	2017	2018	2019	2019	2020
	₱'000	₱'000	₱'000	₱'000	₱'000	₱'000
Cash flow from operating activities						
Income before income tax	531,452	553,662	680,865	1,555,858	286,859	312,083
Adjustments for:						
Depreciation	44,410	47,323	76,010	190,607	47,733	51,457
Interest expense	3,182	4,016	16,810	12,563	3,706	18,769
Gain under finance lease	–	–	–	(397,139)	–	–
Interest income from finance lease receivables	–	–	–	–	–	(37,497)
Interest income	(7,295)	(10,056)	(17,173)	(105,099)	(20,148)	(14,619)
Operating income before working capital changes	571,749	594,945	756,512	1,256,790	318,150	330,193
Changes in operating assets and liabilities						
Decrease (increase) in:						
Receivables	5,849	(41,004)	(179,871)	(262,131)	(241,089)	(72,295)
Other assets	(8,620)	(24,314)	(854,491)	(5,345)	(85,882)	(147,919)
Increase (decrease) in:						
Accounts and other payables	20,487	(27,634)	205,736	(79,194)	(162,729)	94,688
Deposits and other liabilities	5,836	13,904	(9,991)	81,862	14,269	17,889
Construction bonds	944	(762)	(61)	8,367	3,094	1,694
Cash generated from (used in) operations	596,245	515,135	(82,166)	1,000,349	(154,187)	224,250
Interest received	7,295	10,056	17,173	58,262	20,148	14,619
Income tax paid	(94,635)	(104,032)	(108,026)	(189,868)	(5)	(28)
Net cash flows provided by (used in) operating activities	**508,905**	**421,159**	**(173,019)**	**868,743**	**(134,044)**	**238,841**
Cash flow from investing activities						
Due from related parties	(130,000)	(49,876)	(1,097,810)	199,000	184,000	(169,300)
Payments for additions to:						
Investment properties	(19,737)	(4,241)	(7,022,858)	(10,393)	(9,420)	(4,518)
Property and equipment	–	(40)	–	–	–	–
Cash flows provided by (used in) investing activities	**(149,737)**	**(54,157)**	**(8,120,668)**	**188,607**	**174,580**	**(173,818)**
Cash flow from financing activities						
Net proceeds from issuance of shares	–	–	8,706,648	–	–	–
Redemption of shares	–	(20,000)	(20,000)	–	–	–
Payments of dividends	(366,500)	(362,500)	(384,000)	(961,298)	–	–
Net cash provided by (used in) financing activities	**(366,500)**	**(382,500)**	**8,302,648**	**(961,298)**	**–**	**–**
Net increase (decrease) in cash	**(7,332)**	**(15,498)**	**8,961**	**96,052**	**40,536**	**65,023**
Cash at beginning of period	**39,998**	**32,666**	**17,168**	**26,129**	**26,129**	**122,181**
Cash at end of period	**32,666**	**17,168**	**26,129**	**122,181**	**66,665**	**187,204**

Key Financial and Operating Data

Key Financial Ratios	For year ended December 31				Three months ended March 31
	2016	2017	2018	2019	2020
Recurring Income Contribution[(1)]	100%	100%	100%	100%	100%
Current Ratio[(2)]	4.05	6.16	4.93	4.35	4.40
Debt to Equity[(3)]	–	–	–	–	–
Return on Equity[(4)]	27%	27%	9%	12%	2%
Asset to Equity[(5)]	1.22	1.20	1.10	1.11	1.20

Key Operating Data	For year ended December 31				Three months ended March 31
	2016	2017	2018	2019	2020
Total Gross Leasable Area (sq.m.)	46,767.95	46,767.95	93,126.96	142,068.30	152,755.80
Total occupancy rate (leased buildings) (%)[(6)]	99.5%	98.6%	98.0%	98.3%	99.9%

Notes:

(1) *Our recurring income composed of rental income, dues and interest income from finance lease which is equivalent to our total revenue. Recurring income contribution measures the stability of our income source.*

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

(3) *Our debt to equity ratio is derived by dividing our total loans and borrowings by total equity. Debt to equity ratio measures the degree of our financial leverage.*

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

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

(6) *Calculated based on the ratio of Committed Leases which have commenced on the specified lease term to total GLA.*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial results should be read in conjunction with the independent auditors' reports on our audited financial statements and notes, and the section entitled "Selected Financial and Operating Information."The following discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements (see the section entitled "Forward-Looking Statements" in this REIT Plan) as a result of certain factors such as those set out in "Risk Factors" and elsewhere in this Prospectus. Unless otherwise indicated herein, the following discussion does not include historical data on McKinley Exchange as the lease of the Property commenced only on February 1, 2020.

OVERVIEW

AREIT, Inc. is a real estate company established in the Philippines ("**AREIT**"). Previously known as One Dela Rosa Property Development, Inc., our Company changed its name to AyalaLand REIT, Inc. on April 12, 2019. On June 28, 2019, our Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc. Upon compliance with the requirements of the REIT Law, our Company shall operate as a REIT.

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

The Company's principal investment strategy is to invest in income-generating real estate that meet a select set of criteria. Please see the section entitled "Business and Properties – Investment Policy" in this REIT Plan.

As of date of this REIT Plan, the Company's property portfolio consists of three commercial buildings in Metro Manila, the Philippines that meet our investment criteria. The land on which these respective buildings are built do not form part of the Company's asset portfolio and is not owned by the Company.

- ***Solaris One***, a 24-storey, Grade A, PEZA-accredited commercial building owned by our Company and previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sq.m. of Gross Leasable Area and 73,322 sq.m. of gross floor area, and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines. The land on which Solaris One stands is owned by our Sponsor, Ayala Land;

- ***Ayala North Exchange***, a Grade A, mixed-use development owned by our Company, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The Gross Leasable Area of Ayala North Exchange is 95,300.35 sq.m. and its gross floor area is 120,154 sq.m. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines. The land on which Ayala North Exchange stands is owned by HLC Development Corp., a wholly-owned Subsidiary of our Sponsor; and

- ***McKinley Exchange***, a 5-storey Grade A, PEZA-accredited mixed-use development owned by our Sponsor, which began operations in 2015, with Gross Leasable Area of 10,687.50 sq.m., 9,633.32 sq.m. of which is designated for commercial office leasing, and gross floor area of 14,598.40 sq.m., on a plot of land with an area of 4,513 sq.m., located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two (2) basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, our Company entered into a Contract of Lease with our Sponsor for the lease of the office and retail building commencing on February 1, 2020 and ending on December 31, 2054, and initial monthly rent of ₱2,733,078, subject to annual escalation at the rate of 5%. Ownership of land on which McKinley Exchange stands remains with our Sponsor, Ayala Land.

Solaris One and Ayala North Exchange are owned by our Company, while McKinley Exchange is under a long-term lease from our Sponsor. The lands for each of the buildings are subject to lease agreements between the Company and the legal owners thereof – Ayala Land for Solaris One and McKinley Exchange, and HLC Development Corp.,[18] a wholly-owned Subsidiary of Ayala Land, for Ayala North Exchange. The lease rates for the lease of McKinley Exchange, and the land-leases over the land on which the properties stand are all entered into at arms-length. Considering that our lease for McKinley Exchange commenced only on February 1, 2020, the figures herein discussed do not include the historical data and prospective value of McKinley Exchange.[19] See the section entitled "Certain Agreements Relating to our Company and the Properties" and "Profit Forecast and Profit Projection" in this REIT Plan for more details on our Company's acquisition of the Properties.

Together, the Properties[20] in our portfolio comprised approximately 152,755.80 sq.m. of Gross Leasable Area as of March 31, 2020, and for the three-month period ended March 31, 2020 and the year ended December 31, 2019 derived Gross Revenue of ₱446.8 million and ₱1,516.2 million, respectively. Solaris One, the smaller of the Properties, in terms of GLA, has been leased to commercial tenants since 2008, shortly after its construction completed. As of March 31, 2020, it represented approximately 30.6% of the Properties' total GLA, and for the same period, accounted for 42.2% of Gross Revenue. The figures herein presented do not include the historical data of McKinley Exchange as the lease of the Property commenced only on February 1, 2020.

Over the last three years, Solaris One has benefited from high occupancy levels. As of December 31, 2019, and December 31, 2018, it had an occupancy level of approximately 96.2% and 99.4%, respectively. As of March 31, 2020, it had an occupancy level of 100%. In addition, Solaris One benefits from a stable tenant base as demonstrated by the high level of tenancy renewals.

Our Company's GLA expanded significantly by the transfer of Ayala North Exchange from Ayala Land to our Company, on October 5, 2018 pursuant to a Deed of Assignment. This acquisition increased our Company's available GLA in the Properties by approximately 203.8%. Even prior to its completion, Ayala North Exchange has Committed Leases with various HQ Office and BPO Office tenants some of which were perfected as early as 2015, and commenced on May 2018. As of March 31, 2020, Ayala North Exchange represents 62.4% of the Properties' total GLA, and accounted for 53.6% of our Company's Gross Revenue.

As of March 31, 2020, our Company had Committed Leases to cover 100% of the office GLA in Ayala North Exchange. Given the similar composition of the tenants who have committed to lease in Ayala North Exchange and our Sponsor's prior relationship with many of these tenants, we expect a similar level of tenancy renewals and stability in its tenant base as we experience with Solaris One.

With the inclusion of McKinley Exchange to our property portfolio, as of February 1, 2020, the Company continues to benefit from a stable tenant base with the lease of TELUS International Philippines, a pioneer

[18] While HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sqm portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City.

[19] Considering that the lease for McKinley Exchange commenced only on February 1, 2020, the figures herein discussed do not include the historical data of McKinley Exchange. The valuation of the assets as discussed in this REIT Plan however, includes the valuation of McKinley Exchange.

[20] Considering that the lease for McKinley Exchange commenced only on February 1, 2020, the figures herein discussed do not include the historical data of McKinley Exchange. The valuation of the assets as discussed in this REIT Plan however, includes the valuation of McKinley Exchange.

in the BPO industry. As of March 31, 2020, McKinley Exchange has an occupancy rate of 100% in its office space. The inclusion of McKinley Exchange via a long-term building lease with our Sponsor will expand our GLA by 7.5%. As of December 31, 2019, McKinley Exchange's Rental Income was at ₱98.0 million, and for the three-month period ended March 31, 2020, the Property's Rental Income was at ₱17.8 million.

The Properties benefit from their locations within the Makati CBD, the premier financial business district in the Philippines, which boasts, on average, the highest land values in Metro Manila. The Properties also benefit from being strategically located in such a central district, which allow for easy commuting for the employees of our tenants. The Properties are Grade A buildings and feature amenities and technology for lessees that cater to the high-speed fiber-optic data telecommunications systems of telecommunications providers; the Properties have clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems. The Grade A classification of the buildings was determined based on industry criteria and subject to comparison with other similar developments. Grade A buildings are often in high-demand due to their location, facilities, layout and finishing among other factors.

The combination of the Properties' premier location and sophisticated facilities make the Properties highly competitive in the commercial leasing market in Metro Manila. We believe that the rental rates our Company offers at our Properties are on par with comparable competitors. See the section entitled "Business and Properties – Competition" in this REIT Plan. Accordingly, our Properties meet our Company's investment criteria for Grade A, centrally located, stably occupied and income producing properties. That our Properties meet our high investment standards is evidenced by our Properties having proven attractive to lessees who are leaders in their industries, including, among others, the Bank of the Philippine Islands, Shell Shared Services (Asia) B.V. – Philippine Branch, Concentrix CVG Philippines, Inc., ANZ Global Services and Operations (Manila), Inc., and as of February 1, 2020, TELUS International Philippines.

The ten largest tenants (in terms of total Gross Leasable Area across the portfolio) of the Properties contributed approximately 74.4% of total Rental Income for the year ended December 31, 2019 and 78.0% of total Rental Income for the three-month period ended March 31, 2020. In addition, for the three-month period ended March 31, 2020, no more than 38.8% of total Rental Income from the Properties was derived from any one industry sub-sector and, not more than 26.4% of total Rental Income from the Properties was derived from any one tenant. For the three-month period ended March 31, 2020, the BPO industry generated the largest proportion of Rental Income at Solaris One, while the BPO industry as well as the banking and finance industry generated the largest proportion of Rental Income at Ayala North Exchange. Considering that the lease of McKinley Exchange commenced on February 1, 2020, the figures herein presented include the historical data and prospective value of McKinley Exchange.

Asian Appraisal valued the Properties (buildings only and excluding the land on which the buildings are constructed), as of June 17, 2020, at approximately ₱30,152 million: Solaris One was valued at ₱12,054 million, Ayala North Exchange was valued at ₱16,026 million, and McKinley Exchange was valued at ₱2,072 million.

Our Sponsor, Ayala Land, is one of the leading and most diversified real estate conglomerates in the Philippines engaged in the planning and development of large-scale residential lots and buildings, office buildings, and commercial and industrial lots.

Our Sponsor is also a leading player in the Philippines commercial leasing industry with significant commercial and office spaces in its portfolio. Our Sponsor is also engaged in property management, construction, and other real-estate adjacent businesses like retail. Much of the leadership of our Fund Manager and our Property Manager have gained valuable experience in previous roles throughout the Group, and we expect they will put their expertise to use to provide superior service to our Company. See the section entitled "Our Fund Manager and our Property Manager" for more information on the work experience of the management of our Property Manager and our Fund Manager. As such, our Company benefits from our Sponsor's well-established reputation, relationships with key players in the Philippine real estate industry, understanding of the Philippine real estate market, and deep experience in developing and managing properties such as our Properties.

In addition to the Properties described above, we intend to expand our building portfolio by acquiring from APRC, a wholly-owned Subsidiary of Ayala Land, a fourth building, Teleperformance Cebu, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, after the Primary Offer. Teleperformance Cebu is a Grade A, mixed-use development owned by APRC, a wholly-owned Subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined GLA of 17,947.96 sq.m., constructed on a 3,621 sq.m. parcel of land owned by our Sponsor, and located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City. Of the building's total GLA, 17,682.32 sq.m. are designated for commercial office leasing. The building currently hosts a single tenant in its office space, TPPH – FHCS, Inc., more commonly known as Teleperformance, another pioneer in the BPO industry. Based on the GLA of the existing lease commitment at Teleperformance Cebu, the addition of Teleperformance Cebu to our property portfolio is expected to increase our Gross Leasable Area by 11.7%. We intend to complete the acquisition of the office and retail buildings of Teleperformance Cebu from APRC or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, using the net proceeds from the Primary Offer. Please see the section entitled "Use of Proceeds" in this REIT Plan.

The table below sets out the net income for our Company for the four years ended December 31, 2019 and three months ended March 31, 2019 and 2020.

	Net income (₱ in millions)					
	For the year ended December 31,				**Three months ended March 31**	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	(audited)					
Revenue						
Rental income	545.2	552.0	696.0	1,323.9	317.0	356.0
Dues	138.2	146.2	169.3	192.3	59.5	53.3
Interest income from finance lease receivables	–	–	–	–	–	37.5
	683.4	**698.2**	**865.3**	**1,516.2**	**376.5**	**446.8**
Costs and Expenses						
Direct operating costs	146.0	145.4	181.0	436.0	103.3	126.4
General and administrative expenses	12.8	5.7	4.2	14.1	2.9	7.8
	158.8	**151.1**	**185.2**	**450.1**	**106.2**	**134.2**
Other income (charges)						
Gain under finance lease	–	–	–	397.1	–	–
Interest income	7.3	10.1	17.2	105.1	20.1	14.6
Interest expense	(3.2)	(4.0)	(16.8)	(12.6)	(3.7)	(18.8)
Other income	2.7	0.6	0.4	0.1	0.1	3.6
	6.8	**6.7**	**0.8**	**489.7**	**16.6**	**(0.6)**
Income before income tax	531.4	553.8	680.9	1,555.8	286.9	312.0
Provision for income tax	105.7	106.9	143.8	294.4	54.0	60.3
Net income	**425.7**	**446.9**	**537.1**	**1,261.4**	**232.8**	**251.7**

KEY FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Key factors that affect our Company's financial condition and results of operations include the general economic conditions in the Philippines, the level of supply and demand in Makati CBD, the health of the BPO sector, and our recent addition of Ayala North Exchange to our portfolio.

We are highly dependent on the performance of the Philippine property market since our Properties are located in the Philippines. We are directly affected by the risks that affect the Philippine property market as a whole. Many factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties, increases and decreases in interest rates, inflationary pressures, Government-related real estate policies such as the recent lower loan-to-value ratios for commercial real estate loans and the BSP's tightening of policies related to real estate loans. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of our Properties and a decrease in our rental rates.

Additionally, our Properties are currently all located in the Makati CBD. While Makati is the financial center of the Philippines and has historically had one of the most stable property markets in the country, the concentration of our Properties in one area subjects our Company to the risk of a decline in land or real estate value, and the corresponding effects on supply and demand, in Makati specifically.

Our Company's Properties cater primarily to large, multinational corporations and BPO companies. Our Properties are all PEZA-accredited and are particularly attractive to BPO companies. PEZA accreditation enables our tenants to enjoy available fiscal and non-fiscal incentives under this tax regime such as a special tax rate of 5% on gross income, Income Tax Holidays and Exemption from creditable withholding taxes, among others. As such, our Company's portfolio has significant exposure to the BPO sector. Any prolonged downturn in demand for BPO services may affect the businesses of the tenants, occupancy levels, tenants' ability to comply with the terms of their leases with us, and the terms achievable on lease renewals and new leases.

Growth from Ayala North Exchange

Our Company's GLA expanded significantly by the transfer of Ayala North Exchange from Ayala Land to our Company, on October 5, 2018 pursuant to a Deed of Assignment. This acquisition increased our Company's available GLA in the Properties by approximately 203.8% upon completion of construction of Ayala North Exchange. Even prior to its completion, Ayala North Exchange has Committed Leases with various HQ Office and BPO Office tenants some of which were perfected as early as 2015 and commenced on May 2018. Ayala North Exchange's first Committed Lease was entered into as early as 2015. Ayala North Exchange represents approximately 62.4% of the Properties' total GLA. The Company's Balance Sheet is solidly positioned to support its growth plans with the acquisition of Ayala North Exchange in October 2018. At the periods noted, our Company had the following ratios:

	End-Dec. 2016	End-Dec. 2017	End-Dec. 2018	End-Dec. 2019	End-Mar 2020
Current Ratio[1]	4.05:1	6.16:1	4.93:1	4.35:1	4.40:1
Debt-to-Equity Ratio[2]	0.00:1	0.00:1	0.00:1	0.00:1	0.00:1
Net Debt-to-Equity Ratio[3]	-0.02:1	-0.01:1	0.00:1	-0.01:1	-0.02:1
Profitability Ratios					
Return on Assets[4]	22%	23%	8%	11%	2%
Return on Equity[5]	27%	27%	9%	12%	2%
Asset to Equity Ratio[6]	1.22:1	1.20:1	1.10:1	1.11:1	1.20:1

Notes:

1 *Current assets/current liabilities.*

2 *Total debt/total stockholders' equity (total debt includes short term debt, long term debt, and current portion of long-term debt).*

3 *Net debt/stockholders' equity (net debt is total debt less cash and cash equivalents, short term investments, and financial assets through fair value through profit or loss).*

4 *Total net income/average total assets. Return on assets declined from 23% in 2017 to 8% in 2018 as a result of the Company's cash acquisition of Ayala North Exchange, of which, the first tower, a 12-storey HQ Office, was completed in late-2018. Please refer to page 105 of this REIT Plan. Return on assets inched higher in 2019 from 2018 as a result of higher recognition of Rental Income from the HQ Office as well the completion of BPO Office and service apartments in 2019.*

5 *Total net income/average stockholders' equity. Return on equity decline from 27% in 2017 to 9% in 2018 due to the Company's capital restructuring exercise in December 2018. Return on equity increased from 9% in 2018 to 12% in 2019 as a result of recognition of Rental Income coming from 100% completion of Ayala North Exchange towers in 2019.*

6 *Total assets/total stockholders' equity.*

EBITDA

Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") represents net income after adding interest expense, depreciation and amortization, and provision for income tax, and deducting gain under finance lease. EBITDA is not required by, and is not a measure of performance or liquidity under, PFRS or any other generally accepted accounting principles. Investors should not consider EBITDA in isolation or as an alternative to operating income, or net income as an indicator of our Company's operating performance, or our cash flow from operating, investing, or financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various EBITDA calculation methods, the Company's implementation of EBITDA may not be comparable to similarly titled measures used by other companies. The chart below sets out our Company's EBITDA calculations for the periods noted:

	For the year ended December 31,				**Three months ended March 31**	
	2016	**2017**	**2018**	**2019**	**2019**	**2020**
	₱'000	**₱'000**	**₱'000**	**₱'000**	**₱'000**	**₱'000**
Net income	425,777	446,781	537,093	1,261,410	232,827	251,820
Add/Less:						
Interest expense	3,182	4,016	16,810	12,563	3,706	18,769
Gain under finance lease	–	–	–	(397,139)	–	–
Depreciation and amortization	44,410	47,323	76,010	190,607	47,733	51,457
Provision for income tax	105,675	106,881	143,772	294,448	54,031	60,263
EBITDA	**579,044**	**605,001**	**773,685**	**1,361,889**	**338,297**	**382,309**

CRITICAL ACCOUNTING POLICIES AND JUDGMENTS

Critical accounting policies are those that (i) are both relevant to the presentation of our financial condition and results of operations and (ii) require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of these uncertainties increase, those judgments become even more subjective and complex. To provide an understanding of how our management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, we identify the critical accounting policies in each of our financial statements. Please refer to the financial statements attached to this REIT Plan for a full discussion of our Company's relevant critical accounting policies and judgments.

CAUSES OF MATERIAL CHANGES (+/-5% or more) IN OUR FINANCIAL STATEMENTS

Results of Operations

Three months ended March 31, 2020 compared with three months ended March 31, 2019

Our net income increased by 8% from ₱232.83 million in 2019 to ₱251.82 million in 2020 as a result of the below factors. Growth was primarily driven by the rental income from McKinley Exchange which our Company leased from our Sponsor and increased in rental income from Ayala North Exchange retail spaces due to an increase in occupancy.

Revenue –

Total revenue increased by 19% from ₱376.51 million in 2019 to ₱446.83 million in 2020. The increase was primarily attributable to the interest income from finance lease of ₱37.50 million.

Rental Income –

Rental Income increased by 12% from ₱316.96 million in 2019 to ₱355.99 million in 2020. The increase was primarily attributable to the addition of McKinley Exchange in the Company's property portfolio in February 2020 and an increase in occupancy at Ayala North Exchange retail spaces.

Dues decreased by 10% from ₱59.55 million in 2019 to ₱53.34 million in 2020. The decrease was due to an increase in usage of common areas and utilities in Ayala North Exchange brought by higher occupancy rate in 2020.

Costs and expenses –

Direct operating expenses increased by 22% from ₱103.32 million in 2019 to ₱126.41 million in 2020. The increase was primarily attributable to an increase in taxes and licenses of ₱10.01 million, an increase in land lease of ₱9.04 million, an increase in depreciation of ₱3.74 million. These increases were related to the operations of McKinley Exchange and increased in occupancy rate of Ayala North Exchange.

General and administrative expenses increased by 169%, primarily attributable to recognition of provision for credit losses amounting to ₱7.26 million in 2020.

Other income (charges) –

Interest income decreased by 27% from ₱20.15 million in 2019 to ₱14.62 million in 2020. The decrease was primary attributable to the decrease in interest income from intercompany loans from ₱20.12 million in 2019 to ₱14.48 million in 2020. Intercompany loans are short-term, interest-bearing loans extended to Related Parties.

Interest expense increased by 406% from ₱3.71 million in 2019 to ₱18.77 million in 2020. The increase was primarily attributable to the recognition of interest expense on lease liabilities amounting to ₱9.14 million in 2020 and increase in accretion of security deposit from ₱3.71 million in 2019 to ₱9.63 million in 2020.

Provisions for income tax –

Provision for income taxes increased by 12% from ₱54.03 million in 2019 to ₱60.26 million in 2020 following a higher taxable base. The effective tax rate was 18.92% in 2019 and 19.34% in 2020.

Year ended December 31, 2019 ("2019") compared with year ended December 31, 2018 ("2018")

Our net income increased by 135% from ₱537.09 million in 2018 to ₱1,261.41 million in 2019 as a result of the below factors. Growth was primarily driven by the rental income from Ayala North Exchange which our Company acquired on October 5, 2018.

Revenue –

Total revenue increased by 75% from ₱865.33 million in 2018 to ₱1,516.24 million in 2019.

Rental Income increased by 90% from ₱696.02 million in 2018 to ₱1,323.92 million in 2019. The increase was primarily attributable to the addition of Ayala North Exchange to our property portfolio in October 2018, as the addition has increased our Company's available GLA in the Properties by approximately 203.8%. As of March 31, 2020, Ayala North Exchange was 100% leased out while Solaris One was 100% leased out.

Dues increased by 14% from ₱169.31 million in 2018 to ₱192.32 million in 2019. The increase was primarily attributable to net recoveries for the usage of common areas and utilities from new tenants in Ayala North Exchange.

Costs and expenses –

Direct operating expenses increased by 141% from ₱181.01 million in 2018 to ₱436.02 million in 2019. The increase was primarily attributable to an increase in depreciation of ₱114.63 million, an increase in taxes and licenses of ₱67.10 million, an increase in land lease costs of ₱57.88 million, in management fee of ₱8.27 million, and an increase in insurance of ₱4.51 million. These increases were related to the operations of Ayala North Exchange.

Other income (charges) –

Gain under finance lease amounted to ₱397.14 million in 2019. In 2019, our Company entered into a long-term building lease agreement with Makati North Hotel Ventures, Inc. for the lease of a portion of Ayala North Exchange. Makati North Hotel Ventures, Inc. is wholly owned by AyalaLand Hotels and Resorts Corp. which in turn is a wholly owned subsidiary of our Sponsor. The Company classified the agreement as a finance lease and has an outstanding finance lease receivable amounting to ₱2,267.93 million and recognized gain under finance lease of ₱397.14 million and interest income of ₱46.84 million. Gain under finance lease of ₱397.14 million pertains to the difference between the fair value of finance lease receivable of ₱2,221.09 million and the carrying amount of the portion of Ayala North Exchange under finance lease of ₱1,823.95 million. Our Company remains to be the legal owner of the portion of the building under finance lease.

Interest income increased significantly from ₱17.17 million in 2018 to ₱105.10 million in 2019. The increase was primary attributable to the increase in interest income from intercompany loans of ₱40.87 million and recognition of interest income from finance lease of ₱46.84 million. Intercompany loans are short-term, interest-bearing loans extended to Related Parties.

Interest expense decreased from ₱16.81 million in 2018 to ₱12.56 million in 2019. Interest expense pertains to the accretion of security deposits from new tenants, specifically from Ayala North Exchange.

Provisions for income tax –

Provision for income taxes increased by 105% from ₱143.77 million in 2018 to ₱294.45 million in 2019 following a higher taxable base. The effective tax rate was 21.12% in 2018 and 18.92% in 2019.

Year ended December 31, 2018 compared with year ended December 31, 2017

Our Company, as a result of the below factors, posted a net income of ₱537.09 million in 2018, representing a solid earnings growth of 20% for the year. Growth was driven by the rental income from Ayala North Exchange. Annual rent escalations of leases in Solaris One also contributed to the growth.

Revenue –

Total revenue increased by 24% from ₱698.20 million in 2017 to ₱865.33 million in 2018.

Rental Income increased by 26% from ₱551.97 million in 2017 to ₱696.02 million in 2018. The increase was primarily attributable to the addition of Ayala North Exchange to our property portfolio in October 2018, as the addition has increased our Company's available GLA in the Properties by approximately 203.8%, as of March 31, 2020. As of December 31, 2018, Ayala North Exchange was 96.5% leased out, while Solaris One was 99.4% leased out. In addition, annual rent escalations of leases in Solaris One and income from the application of straight-line method of recognizing rental income based on Philippine Accounting Standards contributed to the increase in our topline.

Dues increased by 16% from ₱146.24 million in 2017 to ₱169.31 million in 2018. The increase was primarily attributable to higher net recoveries for the usage of common areas and utilities in Solaris One and from additional recoveries in Ayala North Exchange.

Costs and expenses –

Direct operating expenses increased by 24% from ₱145.44 million in 2017 to ₱181.01 million in 2018. The increase was primarily attributable to an increase in depreciation of ₱28.69 million and an increase in land lease costs of ₱4.08 million. These increases were related to the start of operations of Ayala North Exchange.

General and administrative expenses decreased by 27% from ₱5.71 million in 2017 to ₱4.17 million in 2018 due to lower taxes and licenses paid in 2018.

Other income (charges) –

Interest income increased by 71% from ₱10.06 million in 2017 to ₱17.17 million in 2018 due to a higher volume of interest-bearing loans extended to Related Parties. These are short-term loans which are subject to monthly repricing.

Interest expense increased significantly from ₱4.02 million in 2017 to ₱16.81 million in 2018 due to the accretion of security deposits from new tenants, specifically from Ayala North Exchange.

Year ended December 31, 2017 compared with year ended December 31, 2016

In 2017, our Company's net income of ₱446.78 million was up 5% against its 2016 level, as a result of the below factors.

Revenue –

Total revenue increased by 2% from ₱683.41 million in 2016 to ₱698.20 million in 2017.

Rental Income increased by 1% from ₱545.23 million in 2016 to ₱551.97 million in 2017. As of December 31, 2017, Solaris One was 98.6% leased out.

Dues increased by 6% from ₱138.19 million in 2016 to ₱146.24 million in 2017 mainly due the annual rate escalation of recoveries for the usage of common areas and utilities.

Costs and expenses –

Direct operating expenses decreased from ₱146.02 million in 2016 to ₱145.44 million in 2017. The increase in depreciation of ₱2.91 million was offset by the decrease in insurance of ₱2.43 million and management fee of ₱1.68 million.

General and administrative expenses decreased from ₱12.77 million in 2016 to ₱5.71 million in 2017. The decrease is primarily due to a higher provision for doubtful accounts recognized in 2016 of ₱6.41 million compared to a reversal in the provision for doubtful accounts amounting to ₱0.37 million in 2017.

Other income (charges) –

Interest income increased by 38% from ₱7.29 million in 2016 to ₱10.06 million in 2017 due to a higher volume of interest-bearing loans extended to Related Parties. These are short-term loans which are subject to monthly repricing.

Interest expense increased by 26% from ₱3.18 million in 2016 to ₱4.02 million in 2017 due to the accretion of security deposits.

Provisions for income tax –

Provision for income taxes increased by 1% from ₱105.68 million in 2016 to ₱106.88 million in 2017 following a higher taxable base. The effective tax rate was 19.92% in 2016 and 19.33% in 2017.

Financial Position

Three months ended March 31, 2020 compared with year ended December 31, 2019

Assets –

Receivables (current portion) amounted to ₱1,994.50 million and ₱2,250.17 million as of December 31, 2019 and March 31, 2020, respectively. Our receivables are comprised of finance lease receivable, receivables from Related Parties and trade receivables. In 2019, the Company entered into a long-term building lease agreement with Makati North Hotel Ventures, Inc. for the lease of a portion of Ayala North Exchange. The Company classified the agreement as a finance lease and has an outstanding finance lease receivable amounting to ₱2,267.93 million and ₱2,305.43 million as of December 31, 2019 and March 31, 2020, respectively. The current portion of finance lease receivable amounted to ₱52.68 million and ₱67.33 million as of December 31, 2019 and March 31, 2020, respectively. Receivables from Related Parties are short-term, interest-bearing loans which are subject to monthly repricing. As of December 31, 2019, and March 31, 2020, receivables from Related Parties amounted to ₱2,007.67 million and ₱1,803.89 million, respectively. Trade receivables are comprised of accrued rent and billed receivables. Accrued rent pertains to receivables resulting from the application of straight-line method of recognizing rental income. As of December 31, 2019, and March 31, 2020 the current portion of accrued rent amounted to ₱27.33 million and ₱31.77 million, respectively. Billed receivables are receivables from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are noninterest bearing and are generally collectible within 30 days. As of December 31, 2019, and March 31, 2020, billed receivables amounted to ₱117.89 million and ₱157.66 million, respectively.

Other current assets amounted to ₱157.60 million and ₱593.64 million as of December 31, 2019 and March 31, 2020, respectively. Other current assets are comprised of input VAT, creditable withholding taxes and prepaid expenses.

Receivables (noncurrent portion) pertain to the noncurrent portion of our finance lease receivable and trade receivables. As of December 31, 2019, and March 31, 2020 noncurrent receivables amounted to ₱2,556.98 million and ₱2,580.40 million, respectively.

Investment properties amounted to ₱6,192.37 million and ₱6,149.51 million as of December 31, 2019 and March 31, 2020, respectively. Investment properties are composed of buildings and improvements and construction-in-progress. Investment properties pertain to Solaris One and Ayala North Exchange, which are being leased out to commercial lessees. As of December 31, 2019, and March 31, 2020, building and improvements amounted to ₱6,190.39 million and ₱6,147.53 million, respectively. Construction-in-progress pertains to ongoing improvements in Solaris One. As of December 31, 2019, and March 31, 2020, construction-in-progress amounted to ₱1.98 million, respectively.

Right-of-use asset, on January 31, 2020, the Company entered into a lease contract with our Sponsor for the lease of land and building, McKinley Exchange. The Company recognizes right-of-use asset on February 1, 2020 which is the commencement date of the lease. The Company classified the agreement as a finance lease and has Right-of-use asset amounting to ₱849.08 million and depreciation expense of ₱4.07 million.

Other noncurrent assets amounted to ₱968.06 million and ₱679.93 million as of December 31, 2019 and March 31 2020, respectively. Other noncurrent assets are comprised of deferred input value added taxes ("**VAT**') and input VAT. Deferred input VAT pertains to purchases of capital goods including input VAT on the acquisition of Ayala North Exchange. The balance of input VAT and deferred input VAT are recoverable in future periods.

Liabilities –

Accounts and other payables amounted to ₱274.48 million and ₱369.17 million as of December 31, 2019, and March 31, 2020, respectively. Accounts and other payables are comprised of amounts due to Related Parties, accrued expenses, trade payable, taxes payable, and retention payable.

Lease liability, the Company recognizes lease liability on February 1, 2020 related to the lease contract with our Sponsor for the lease of land and building, McKinley Exchange amounting to ₱862.29 million and recognizes interest expense on lease liabilities of ₱9.14 million for the three months ended March 31, 2020.

Deposits and other liabilities (noncurrent portion) amounted to ₱600.13 million and ₱658.24 million as of December 31, 2019, and March 31, 2020, respectively. Deposits and other liabilities are comprised of advance rentals, security deposits, deferred credits, and other deposits. Advance rentals from lessees are cash received in advance, representing three month's rent which will be applied to the last three months on the related lease contracts. As of December 31, 2019, and March 31, 2020, the noncurrent portion of advance rentals amounted to ₱304.22 million and ₱332.76 million, respectively. Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three month's rent and will be refunded to the lessee at the end of the lease term. As of December 31, 2019, and March 31, 2020, the noncurrent portion of security deposits amounted to ₱229.72 million and ₱261.22 million, respectively. Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method. As of December 31, 2019, and March 31, 2020, the noncurrent portion of deferred credits amounted to ₱66.20 million and ₱64.25 million, respectively.

Year ended December 31, 2019 compared with year ended December 31, 2018

Assets –

Receivables (current portion) amounted to ₱2,011.00 million and ₱1,994.50 million as of December 31, 2018 and 2019, respectively. Our receivables are comprised of finance lease receivable, receivables from Related Parties and trade receivables. In 2019, the Company entered into a long-term building lease agreement with Makati North Hotel Ventures, Inc. for the lease of a portion of Ayala North Exchange. The Company classified the agreement as a finance lease and has an outstanding finance lease receivable amounting to ₱2,267.93 million. As of December 31, 2019, the current portion of finance lease receivable amounted to ₱52.68 million. Receivables from Related Parties are short-term, interest-bearing loans which are subject to monthly repricing. As of December 31, 2018, and 2019, receivables from Related Parties amounted to ₱1,936.21 million and ₱1,803.89 million, respectively. Trade receivables are comprised of accrued rent and billed receivables. Accrued rent pertains to receivables resulting from the application of straight-line method of recognizing rental income. As of December 31, 2018, and 2019, the current portion of accrued rent amounted to ₱22.98 million and ₱27.33 million, respectively. Billed receivables are receivables from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are noninterest bearing and are generally collectible within 30 days. As of December 31, 2018, and 2019, billed receivables amounted to ₱59.38 million and ₱117.89 million, respectively.

Other current assets amounted to ₱118.50 million and ₱157.60 million as of December 31, 2018 and 2019, respectively. Other current assets are comprised of input VAT, creditable withholding taxes, prepaid expenses, and advances to suppliers.

Receivables (noncurrent portion) pertain to the noncurrent portion of our finance lease receivable and trade receivables. As of December 31, 2018, and 2019, noncurrent receivables amounted to ₱209.42 million and ₱2,556.98 million, respectively.

Investment properties amounted to ₱8,188.05 million and ₱6,192.37 million as of December 31, 2018 and 2019, respectively. Investment properties are composed of buildings and improvements and construction-in-progress. Investment properties pertain to Solaris One and Ayala North Exchange, which are being leased out to commercial lessees. As of December 31, 2018, and 2019, building and improvements amounted to ₱5,468.03 million and ₱6,190.39 million, respectively. Construction-in-progress pertains to ongoing construction, installation, and related activities for the completion of Ayala North Exchange. As of December 31, 2018, and 2019, construction-in-progress amounted to ₱2,267.93 million and ₱1.98 million, respectively. In 2019, our Company entered into a long-term building lease agreement with Makati North Hotel Ventures, Inc. for the lease of a portion of Ayala North Exchange. The Company classified the agreement as a finance lease and has an outstanding finance lease receivable amounting to ₱2,267.93 million, and recognized gain under finance lease of ₱397.14 million and interest income of ₱46.84 million. Gain under finance lease of ₱397.14 million pertains to the difference between the fair value of finance lease receivable of ₱2,221.09 million and the carrying amount of the portion of Ayala North Exchange under finance lease of ₱1,823.95 million, which was removed from investment properties. Our Company remains to be the legal owner of the portion of the building under finance lease.

Other noncurrent assets amounted to ₱1,001.82 million and ₱968.06 million as of December 31, 2018 and 2019, respectively. Other noncurrent assets are comprised of deferred input value added taxes ("**VAT**") and input VAT. Deferred input VAT pertains to purchases of capital goods including input VAT on the acquisition of Ayala North Exchange. The balance of input VAT and deferred input VAT are recoverable in future periods.

Liabilities –

Accounts and other payables amounted to ₱345.21 million and ₱274.48 million as of December 31, 2018 and 2019, respectively. Accounts and other payables are comprised of amounts due to Related Parties, accrued expenses, trade payable, taxes payable, and retention payable.

Deposits and other liabilities (noncurrent portion) amounted to ₱641.98 million and ₱600.13 million as of December 31, 2018 and 2019, respectively. Deposits and other liabilities are comprised of advance rentals, security deposits, deferred credits, and other deposits. Advance rentals from lessees are cash received in advance, representing three month's rent which will be applied to the last three months on the related lease contracts. As of December 31, 2018, and 2019, the noncurrent portion of advance rentals amounted to ₱318.48 million and ₱304.22 million, respectively. Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three month's rent and will be refunded to the lessee at the end of the lease term. As of December 31, 2018, and 2019, the noncurrent portion of security deposits amounted to ₱255.25 million and ₱229.72 million, respectively. Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method. As of December 31, 2018, and 2019, the noncurrent portion of deferred credits amounted to ₱68.25 million and ₱66.20 million, respectively.

Year Ended December 31, 2018 compared with year ended December 31, 2017

Assets –

Receivables (current portion) amounted to ₱447.65 million and ₱2,011.00 million as of December 31, 2017 and 2018, respectively. Our receivables are comprised of receivables from Related Parties and trade receivables. Receivables from Related Parties are short-term, interest-bearing loans which are subject to monthly repricing. As of December 31, 2017, and 2018, receivables from Related Parties amounted to ₱405.42 million and ₱1,936.21 million, respectively. Trade receivables are comprised of accrued rent and billed receivables. Accrued rent pertains to receivables resulting from the application of straight-line method of recognizing rental income. As of December 31, 2017, and 2018, the current portion of accrued rent amounted to ₱6.87 million and ₱22.98 million, respectively. Billed receivables are receivables from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are non-interest bearing and are generally collectible within 30 days. As of December 31, 2017, and 2018, billed receivables amounted to ₱42.93 million and ₱59.38 million, respectively.

Other current assets amounted to ₱73.32 million and ₱118.50 million as of December 31, 2017 and 2018, respectively. Other current assets are comprised of input VAT, creditable withholding taxes, prepaid expenses, and advances to contractors.

Receivables (noncurrent portion) pertain to the noncurrent portion of our trade receivables. As of December 31, 2017, and 2018, noncurrent receivables amounted to ₱86.77 million and ₱209.42 million, respectively.

Investment properties amounted to ₱1,155.75 million and ₱8,188.05 million as of December 31, 2017 and 2018, respectively. Investment properties are composed of buildings and improvements and construction-in-progress. Investment properties pertain to Solaris One and Ayala North Exchange, which are being leased out to commercial lessees. Our Company acquired Ayala North Exchange from Ayala Land through a Deed of Assignment executed on October 5, 2018. As of December 31, 2017, and 2018, building and improvements amounted to ₱1,155.75 million and ₱5,468.03 million, respectively. Construction-in-progress pertain to ongoing construction, installation and related activities for the completion of Ayala North Exchange. As of December 31, 2018, construction-in-progress amounted to ₱2,720.15 million.

Other noncurrent assets amounted to ₱192.51 million and ₱1,001.82 million as of December 31, 2017 and 2018, respectively. Other noncurrent assets are comprised of deferred input VAT and input VAT. Deferred input VAT pertains to purchases of capital goods including input VAT on the acquisition of Ayala North Exchange. The balance of input VAT and deferred input VAT are recoverable in future periods.

Liabilities –

Accounts and other payables amounted to ₱54.09 million and ₱345.21 million as of December 31, 2017 and 2018, respectively. Accounts and other payables are comprised of taxes payable, due to Related Parties, accrued expenses, trade payable, and retention payable.

Deposits and other liabilities (noncurrent portion) amounted to ₱248.22 million and ₱641.98 million as of December 31, 2017 and 2018, respectively. Deposits are other liabilities are comprised of advance rentals, security deposits, deferred credits, and other deposits. Advance rentals from lessees are cash received in advance, representing three month's rent which will be applied to the last three months on the related lease contracts. As of December 31, 2017, and 2018, the noncurrent portion of advance rentals amounted to ₱119.93 million and ₱318.48 million, respectively. Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three month's rent and will be refunded to the lessee at the end of the lease term. As of December 31, 2017, and 2018, the noncurrent portion of security deposits amounted to ₱98.26 million and ₱255.25 million, respectively. Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method. As of December 31, 2017, and 2018, the noncurrent portion of deferred credits amounted to ₱30.03 million and ₱68.25 million, respectively.

Year ended December 31, 2017 compared with year ended December 31, 2016

Assets –

Receivables (current portion) amounted to ₱391.40 million and ₱447.65 million as of December 31, 2016 and 2017, respectively. Our receivables are comprised of receivables from Related Parties and trade receivables. Receivables from Related Parties are short-term, interest-bearing loans which are subject to monthly repricing. As of December 31, 2016, and 2017, receivables from Related Parties amounted to ₱349.38 million and ₱405.42 million, respectively. Trade receivables are comprised of accrued rent and billed receivables. Accrued rent pertains to receivables resulting from the application of straight-line method of recognizing rental income. As of December 31, 2016, and 2017, the current portion of accrued rent amounted to ₱2.24 million and ₱6.87 million, respectively. Billed receivables are receivables from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are non-interest bearing and are generally collectible within 30 days. As of December 31, 2016, and 2017, billed receivables amounted to ₱45.57 million and ₱42.93 million, respectively.

Other current assets amounted to ₱49.51 million and ₱73.32 million as of December 31, 2016 and 2017, respectively. Other current assets are comprised of input VAT, creditable withholding taxes, prepaid expenses, and advances to contractors.

Receivables (noncurrent portion) pertain to the noncurrent portion of our trade receivables. As of December 31, 2016, and 2017, noncurrent receivables amounted to ₱51.88 million and to ₱86.77 million, respectively.

Investment property amounted to ₱1,198.77 million and ₱1,155.75 million as of December 31, 2016 and 2017, respectively. Investment property pertains to the Solaris One building which is being leased out for office and retail spaces.

Other noncurrent assets amounted to ₱192.26 million and ₱192.51 million as of December 31, 2016 and 2017, respectively. Other noncurrent assets are comprised of deferred input VAT and input VAT. Deferred input VAT pertains to purchases of capital goods. The balance of input VAT and deferred input VAT are recoverable in future periods.

Liabilities –

Accounts and other payables amounted to ₱81.72 million and ₱54.09 million as of December 31, 2016 and 2017, respectively. Accounts and other payables are comprised of taxes payable, due to Related Parties, accrued expenses, trade payable, and retention payable.

Deposits and other liabilities (noncurrent portion) amounted to ₱230.91 million and to ₱248.22 million as of December 31, 2016 and 2017, respectively. Deposits are other liabilities are comprised of advance rentals, security deposits, deferred credits, and other deposits. Advance rentals from lessees are cash received in advance, representing three month's rent which will be applied to the last three months on the related lease contracts. As of December 31, 2016, and 2017, the noncurrent portion of advance rentals amounted to ₱120.52 million and ₱119.93 million, respectively. Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three month's rent and will be refunded to the lessee at the end of the lease term. As of December 31, 2016, and 2017, the noncurrent portion of security deposits amounted to ₱82.19 million and ₱98.26 million, respectively. Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method. As of December 31, 2016, and 2017, the noncurrent portion of deferred credits amounted to ₱28.21 million and ₱30.03 million, respectively.

CASH FLOWS

Net Cash Flows from Operating Activities

For three months ended March 31, 2020, we generated ₱238.84 million net cash from operating activities. We had an operating income before working capital changes of ₱330.19 million. This was augmented by (i) increase in accounts and other payables of ₱94.69 million, (ii) an increase in deposits and other liabilities of ₱17.89 million, and (iii) increase in construction bonds of ₱1.69 million. Our cash inflow was offset by (i) an increase in receivables of ₱72.29 million, and (ii) an increase in other assets of ₱147.92 million. This resulted in net cash generated from operations of ₱224.25 million. After the collection of ₱14.62 million interest, resulted net cash generated operating activities amounted to ₱238.84 million.

In 2019, we generated ₱868.74 million net cash from operating activities. We had an operating income before working capital changes of ₱1,256.79 million. This was augmented by (i) an increase in deposits and other liabilities of ₱81.86 million, and (ii) an increase in construction bonds of ₱8.37 million. Our cash inflow was offset by (i) an increase in receivables of ₱262.13 million, (ii) an increase in other assets of ₱5.35 million, and (iii) a decrease in accounts and other payables of ₱79.19 million. This resulted in net cash generated from operations of ₱1, 000.35 million. After the collection of ₱58.26 million interest, and payment of ₱189.87 million for income tax, resulting net cash generated operating activities amounted to ₱868.74 million.

In 2018, we used ₱173.02 million net cash for operating activities. We had an operating income before working capital changes of ₱756.51 million. This was augmented by an increase in accounts and other payables of ₱205.74 million. Our cash inflow was offset by (i) an increase in receivables of ₱179.87 million, (ii) an increase in other assets of ₱854.49 million, (iii) a decrease in deposits and other liabilities of ₱9.99 million, and (iv) a decrease in construction bonds of ₱0.06 million. This resulted in net cash used for operations of ₱82.17 million. After the collection of ₱17.17 million interest and payment of ₱108.03 million for income tax, resulting net cash used in operating activities amounted to ₱173.02 million.

In 2017, we generated ₱421.16 million net cash from operating activities. We had an operating income before working capital changes of ₱594.95 million. This was augmented by an increase in deposits and other liabilities of ₱13.90 million. Our cash inflow was offset by (i) an increase in receivables of ₱41.00 million, (ii) an increase in other assets of ₱24.31 million, (iii) a decrease in accounts and other payables of ₱27.63 million, and (iv) a decrease in construction bonds of ₱0.76 million. This resulted in net cash generated from operations of ₱515.14 million. After the collection of ₱10.06 million interest and payment of ₱104.03 million for income tax, resulting net cash provided by operating activities amounted to ₱421.16 million.

In 2016, we generated ₱508.90 million net cash from operating activities. We had an operating income before working capital changes of ₱571.75 million. This was augmented by (i) a decrease in receivables of ₱5.85 million, (ii) an increase in accounts and other payables of ₱20.49 million, (iii) an increase in deposits and other liabilities of ₱5.84 million, and (iv) an increase in construction bonds of ₱0.94 million. Our cash inflow was offset by the effect of an increase in other assets of ₱8.62 million. This resulted in net cash generated from operations of ₱596.25 million. After the collection of ₱7.29 million interest and payment of ₱94.63 million for income tax, resulting net cash provided by operating activities amounted to ₱508.90 million.

Net Cash Flows from Investing Activities

For three months ended March 31, 2020, net cash used in investing activities amounted to ₱173.82 million. We have additional loans extended to related parties amounting to ₱169.30 million. We also had additions to investment properties amounting to ₱4.52 million, related to ongoing improvements for Solaris One.

In 2019, net cash from investing activities amounted to ₱188.61 million. We received repayments of loans extended to Related Parties amounting to ₱199.00 million. We also had additions to investment properties amounting to ₱10.39 million, comprised of commissions paid to various brokers and improvements for Solaris One.

In 2018, we used ₱8,120.67 million net cash for investing activities. On October 5, 2018, our Company and Ayala Land executed a Deed of Assignment wherein Ayala Land assigned, transferred, and conveyed its ownership, rights, interests and obligations in relation to Ayala North Exchange for a consideration amounting to approximately ₱6,913.00 million. We also incurred various capital expenditures on improvements of Solaris One and Ayala North Exchange amounting to ₱109.86 million. We also extended loans to Related Parties amounting to ₱1,097.81 million.

In 2017, we used ₱54.16 million net cash for investing activities. We extended loans to Related Parties amounting to ₱49.88 million, incurred various capital expenditures on improvements and maintenance of Solaris One amounting to ₱4.24 million, and purchased various equipment amounting to ₱0.04 million.

In 2016, our Company used ₱149.74 million net cash for investing activities. We extended loans to Related Parties amounting to ₱130.00 million and incurred various capital expenditures on improvements and maintenance of Solaris One amounting to ₱19.74 million.

Net Cash Flows from Financing Activities

In 2019, our Company used ₱961.30 million net cash for financing activities, consisting primarily of payment of dividends to stockholders.

In 2018, we had ₱8,302.65 million net cash from financing activities. We received net cash proceeds from the issuance of shares amounting to ₱8,706.65 million, resulting from the subscription by Ayala Land to ₱8,815.00 million of our Company's shares. Cash used for financing activities primarily consisted of payment of dividends to stockholders amounting to ₱384.00 million.

In 2017, we used ₱382.50 million net cash for financing activities. This consisted primarily of payment of dividends to stockholders amounting to ₱362.50 million.

In 2016, our Company used ₱366.50 million net cash for financing activities, consisting primarily of payment of dividends to stockholders.

INDEBTEDNESS

As of December 31, 2019, and as of the three years ended December 31, 2016, 2017 and 2018, our Company does not have any outstanding loan from any bank or financial institution.

CAPITAL EXPENDITURES

Capital expenditures were related primarily to the acquisition and construction costs for Ayala North Exchange. On October 5, 2018, our Company and Ayala Land executed a Deed of Assignment wherein Ayala Land assigned, transferred, and conveyed its ownership, rights, interests, and obligations in relation to Ayala North Exchange for a consideration amounting to ₱6,913.00 million. The acquisition and construction costs for the Property were funded by proceeds from the subscription by Ayala Land to additional Company shares. Other capital expenditures during the four years ended December 31, 2019 were related to improvements and maintenance of Solaris One and were funded with cash from operating activities.

The following table sets forth our capital expenditures during the periods indicated:

	As of December 31,				Three months ended March 31
	2016	**2017**	**2018**	**2019**	**2020**
	₱'000	**₱'000**	**₱'000**	**₱'000**	**₱'000**
Building and Improvements					
Solaris One	19,737	4,241	4,183	1,781	4,518
Ayala North Exchange	–	–	4,383,912	8,611	–
Construction-in-Progress					
Ayala North Exchange	–	–	2,720,150	–	–
Commission	–	–	–	8,463	–
Total	**19,737**	**4,241**	**7,108,245**	**18,855**	**4,518**

We expect to spend ₱54 million for capital expenditures for fiscal year 2020. These are related to building improvements and maintenance of Solaris One and Ayala North Exchange, and which will be funded through cash from operating activities. Capital expenditures are capitalized as part of the Deposited Property. Costs of the capital expenditure are depreciated over its useful life.

CONTINGENT LIABILITIES

During the four years ended December 31, 2016, 2017, 2018, and 2019, our Company has not been involved in, and is not currently involved in, any legal or arbitration proceedings, the result of which could have material adverse consequences for our business, financial condition and results of operations.

MARKET RISK

All of our business operations are presently conducted in the Philippines and our revenues are entirely sourced from the Philippines. As such, our business, financial condition, and results of operations are subject to a significant degree to the general state of the Philippine economy. Over the years, the Philippines has experienced periods of slow or negative growth, high inflation, unforeseen devaluation of the Philippine currency, imposition of exchange controls, debt restructuring, and significant rise in oil prices. In particular, we are highly dependent on the performance of the Philippine property market. Many factors contribute to fluctuations in the Philippine property market including the general state of the Philippine economy, the demand and supply of properties, increases and decreases in interest rates, inflationary pressures, Government-related real estate policies such as the recent lower loan-to-value ratios for commercial real estate loans and the BSP's tightening of policies related to real estate loans.

Recently, however, the Philippine economy has shown positive growth. In 2018, the Philippines boasted GDP growth of 6.2%, which was actually lower than the 6.7% growth recorded in 2017. Despite the lower growth in 2018, the country still placed among the strongest growth economies in the world, alongside India, Vietnam, and China. On May 8, 2014, Standard & Poor's Ratings Services ("**S&P**") upgraded the Philippines' sovereign long-term credit rating to 'BBB' from 'BBB-' and the Philippines' sovereign short-term credit rating to 'A-2' from 'A-3'. S&P assigned a stable outlook on the new ratings, with the new ratings to hold for six months to one year. According to S&P, "based on our assessment that even though a change of administration after the presidential elections in 2016 represents some uncertainty for reforms, the risks have shifted toward maintaining the impetus and direction of the process, away from a potential reversal or abandonment of advances achieved to date. "On April 30, 2019, S&P raised the Philippines sovereign long-term credit rating to BBB+, which is its highest rating to date. According to S&P, the upgrade was made on the basis of the Philippines' consistent economic growth, solid fiscal accounts, and good position in the external environment. S&P stated that with the enactment of the first package of the Comprehensive Tax Reform Program under TRAIN Act, finances are expected to remain sustainable while the country addresses pressing infrastructure needs. A stable and growing economy benefits, in turn, the stability and growth of our business, financial condition, and results of operations.

However, there can be no assurance that the Philippines will maintain strong economic fundamentals in the future. In particular, the on-going COVID-19 pandemic and the actual extent of the outbreak and its impact on the global economy remains uncertain. A number of governments have revised gross domestic product growth forecasts downward in response to the economic slowdown caused by the spread of COVID-19. It is possible that the COVID-19 pandemic will result in protracted volatility in international markets and/or a prolonged global recession and in the Philippines. See the section entitled "Risk Factors – *The ongoing COVID-19 pandemic and measures intended to prevent its spread could have a material adverse effect on our business, results of operations, cash flows and financial condition*." of this REIT Plan for further details. A significant and prolonged deterioration in the Philippine economy whether due to COVID-19 may have an adverse effect on our business or results of operations. In addition, other unforeseen economic shifts could lead to economic downturns, which may have an adverse effect on our business or our results of operations.

In addition to general market risks, we are also subject to illiquidity risk. Real estate investments, particularly investments in high value properties such as commercial buildings, are relatively illiquid. Such illiquidity may affect our Company's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market, or other conditions. An inability to adapt to sudden market changes could have an adverse effect on our Company's financial condition and results of operations.

OVERVIEW

AREIT, Inc. is a real estate company established in the Philippines ("**AREIT**"). Previously known as One Dela Rosa Property Development, Inc., our Company changed its name to AyalaLand REIT, Inc. on April 12, 2019. On June 28, 2019, our Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc. Upon compliance with the requirements of the REIT Law, our Company shall operate as a REIT.

The Company's principal investment strategy is to invest in income-generating real estate that meet a select set of criteria. Please see the section entitled "Business and Properties – Investment Policy" in this REIT Plan.

As of date of the REIT Plan, the Company's property portfolio consists of three commercial buildings in Metro Manila, the Philippines that meet our investment criteria. The land on which these respective buildings are built do not form part of the Company's asset portfolio and is not owned by the Company.

- ***Solaris One***, a 24-storey, Grade A, PEZA-accredited commercial building owned by our Company and previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sq.m. of Gross Leasable Area and 73,322 sq.m. of gross floor area, and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines. The land on which Solaris One stands is owned by our Sponsor, Ayala Land;

- ***Ayala North Exchange***, a Grade A, mixed-use development owned by our Company, previously known as project City Gate, which consists of two office towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The Gross Leasable Area of Ayala North Exchange is 95,300.35 sq.m. and its gross floor area is 120,154 sq.m. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines. The land on which Ayala North Exchange stands is owned by HLC Development Corp., a wholly-owned Subsidiary of our Sponsor; and

- ***McKinley Exchange***, a 5-storey Grade A, PEZA-accredited mixed-use development owned by our Sponsor, which began operations in 2015, with a Gross Leasable Area of 10,687.50 sq.m., 9,633.32 sq.m. of which is designated for commercial office leasing, and with a gross floor area of 14,598.40 sq.m., on a plot of land with an area of 4,513 sq.m., located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, our Company entered into a Contract of Lease with our Sponsor for the lease of the office and retail building commencing on February 1, 2020 and ending on December 31, 2054, and initial monthly rent of ₱2,733,078, subject to annual escalation at the rate of 5%. Ownership of land on which McKinley Exchange stands remains with our Sponsor, Ayala Land.

Solaris One and Ayala North Exchange are owned by our Company, while McKinley Exchange, as of February 1, 2020, is under a long-term building and land lease from our Sponsor. The land on which Solaris One and Ayala North Exchange are built are subject of long-term leases between our Company and ALI, and HLC Development Corp.,[21] for Ayala North Exchange. The lease rates for the lease of McKinley Exchange, and the land-leases over the land on which the properties stand are all entered into at arms-length. See the section entitled "Certain Agreements Relating to our Company and the Properties" in this REIT Plan for more details on our Company's acquisition and lease of the Properties.

[21] While HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sq.m. portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City.

AREIT Inc. has owned Solaris One building since its construction in 2007. The Company has kept it as part of its property portfolio since it has exhibited strong and stable cash flows from rental revenue and has experienced a consistently high occupancy rate with no payment delays and defaults. Our Company subsequently included Ayala North Exchange in our asset portfolio on October 2018, given that it is one of the newest commercial properties along Ayala Avenue, the major thoroughfare of the Makati CBD. Even prior to its completion in Q3 2019, Ayala North Exchange has obtained Committed Leases with a diverse mix of tenants operating in various industries as early as May 2015. This acquisition significantly increased our Company's available GLA in the Properties by at least 200%. Despite the fact that Ayala North Exchange has just started its operations, its committed leases have already covered 100.0% of the GLA as of March 31, 2020. Lastly, our Company selected McKinley Exchange building since it is a prime mixed-use development strategically located in between two CBDs – Makati and Fort Bonifacio that is wholly-owned by our Sponsor, Ayala Land, Inc. Our Company has obtained PEZA accreditation for the three properties, which enables our tenants to enjoy available fiscal and non-fiscal incentives under this tax regime. Furthermore, all three properties are (1) situated in prime Ayala Avenue, Makati addresses (2) have quality and diverse tenant bases of top BPO and corporate locators without any POGOs, and (3) have long and substantial remaining useful lives of the buildings, which are not subject to re-development. This dynamic combination offer attractive investment option for potential stakeholders as they have exhibited strong lease take up and potential for growth.

Together, the Properties in our portfolio comprised approximately 152,755.80 sq.m. of Gross Leasable Area as of March 31, 2020, and for the three-month periods ended March 31, 2020 and the year ended December 31, 2019 derived Gross Revenue of ₱446.8 million and ₱1,516.2 million, respectively. Solaris One, the smaller of the Properties, in terms of GLA, has been leased to commercial tenants since 2008, shortly after its construction completed. As of March 31, 2020, it represented approximately 30.6% of the Properties' total GLA, and for the same period, accounted for 42.2% of Gross Revenue.

Over the last three years, Solaris One has benefited from high occupancy levels. As of December 31, 2019, and 2018, it had an occupancy level of approximately 96.2% and 99.4%, respectively. As of March 31, 2020, it had an occupancy level of 100%. In addition, Solaris One benefits from a stable tenant base as demonstrated by the high level of tenancy renewals.

Our Company's GLA expanded significantly by the transfer of Ayala North Exchange from Ayala Land to our Company, on October 5, 2018 pursuant to a Deed of Assignment. This acquisition increased our Company's available GLA in the Properties by approximately 203.8%. Even prior to its completion, Ayala North Exchange has Committed Leases with various HQ Office and BPO Office tenants some of which were perfected as early as 2015 and commenced on May 2018. The first Committed Lease for Ayala North Exchange was entered into as early as 2015. As of March 31, 2020, Ayala North Exchange represents 62.4% of the Properties' total GLA, and accounted for 53.6% of our Company's Gross Revenue.

As of March 31, 2020, our Company had Committed Leases to cover 100% of the office GLA in Ayala North Exchange. Given the similar composition of the tenants who have committed to lease in Ayala North Exchange and our Sponsor's prior relationship with many of these tenants, we expect a similar level of tenancy renewals and stability in its tenant base as we experience with Solaris One.

With the inclusion of McKinley Exchange to our property portfolio, as of February 1, 2020, the Company continues to benefit from a stable tenant base with the lease of TELUS International Philippines, a pioneer in the BPO industry. As of March 31, 2020, McKinley Exchange has an occupancy rate of 100% in its office space. The inclusion of McKinley Exchange via a long-term building lease with our Sponsor will expand our GLA by 7.5%. As of December 31, 2019, McKinley Exchange's Rental Income was at ₱98.0 million, and for the three-month period ended March 31, 2020, the Property's Rental Income was at ₱17.8 million.

The Properties benefit from their locations within the Makati CBD, the premier financial business district in the Philippines, which boasts, on average, the highest land values in Metro Manila. The Properties also benefit from being strategically located in such a central district, which allow for easy commuting for the employees of our tenants. The Properties are Grade A buildings and feature amenities and technology for lessees that cater to the high-speed fiber-optic data telecommunications systems of telecommunications providers; the Properties have clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems. The Grade A classification of the buildings was determined based on industry criteria and subject to comparison with other similar developments. Grade A buildings are often in high-demand due to their location, facilities, layout and finishing among other factors.

The combination of the Properties' premier location and sophisticated facilities make the Properties highly competitive in the commercial leasing market in Metro Manila. We believe that the rental rates our Company offers at our Properties are on par with comparable competitors. See "Competition" in this section. Accordingly, our Properties meet our Company's investment criteria for Grade A, centrally located, stably occupied and income producing properties. That our Properties meet our high investment standards is evidenced by our Properties having proven attractive to lessees who are leaders in their industries, including, among others, the Bank of the Philippine Islands, Shell Shared Services (Asia) B.V. – Philippine Branch, Concentrix CVG Philippines, Inc., ANZ Global Services and Operations (Manila), Inc, and as of February 1, 2020, TELUS International Philippines.

The ten largest tenants (in terms of total Gross Leasable Area across the portfolio) of the Properties contributed approximately 74.4% of total Rental Income for the year ended December 31, 2019 and 78.0% of total Rental Income for the three-month period ended March 31, 2019. In addition, for the three-month period ended March 31, 2020, no more than 38.8% of total Rental Income from the Properties was derived from any one industry sub-sector and not more than 26.4% of total Rental Income from the Properties was derived from any one tenant. For the three-month period ended March 31, 2020, the BPO industry generated the largest proportion of Rental Income at Solaris One, while the BPO industry as well as the banking and finance industry generated the largest proportion of Rental Income at Ayala North Exchange. Considering that the lease for McKinley Exchange commenced on February 1, 2020, the figures herein presented include the historical data and prospective value of McKinley Exchange.

Asian Appraisal valued the Properties (buildings only and excluding the land on which the buildings are constructed), as of June 17, 2020, at approximately ₱30,152 million: Solaris One was valued at ₱12,054 million, Ayala North Exchange was valued at ₱16,026 million, and McKinley Exchange was valued at ₱2,072 million.

	Solaris One	**Ayala North Exchange**	**McKinley Exchange**
Year Completed	2008	2019	2014
Description	Grade A, PEZA-accredited 24-storey commercial building	Grade A, PEZA-accredited, mixed-use development	Grade A, PEZA-accredited, mixed-used development
Location	130 Dela Rosa, Legaspi Village, Makati City	6796 Ayala Avenue corner Salcedo, Legaspi Village, Makati City	McKinley Road corner EDSA, Makati City
GLA	46,767.95 sq.m.	95,300.35 sq.m.	10,687.50 sq.m.
Occupancy Rate	100.0% as of March 31, 2020	100.0% as of March 31, 2020	98.4% as of March 31, 2020
Right over Building	Owned	Owned	Leased
Right over Land	Leased	Leased	Leased
Land Lease Expiry	2048	2058	2054

	Solaris One	Ayala North Exchange	McKinley Exchange
Key Tenants	• Shell Shared Services • ANZ Global Services and Operations	• Makati North Hotel Ventures, Inc. • Concentrix CVG Philippines, Inc. • Oracle Netsuite (Philippines), Inc.	• TELUS International Philippines

Our Sponsor, Ayala Land, is one of the leading and most diversified real estate conglomerates in the Philippines engaged in the planning and development of large-scale residential lots and buildings, office buildings, and commercial and industrial lots.

Our Sponsor is also a leading player in the Philippines' commercial leasing industry with significant commercial and office spaces in its portfolio. Our Sponsor is also engaged in property management, construction, and other real-estate adjacent businesses like retail. Much of the leadership of our Fund Manager and our Property Manager have gained valuable experience in previous roles throughout the Group, and we expect they will put their expertise to use to provide superior service to our Company. See the section entitled "Our Fund Manager and our Property Manager" for more information on the work experience of the management of our Property Manager and our Fund Manager. As such, our Company benefits from our Sponsor's well-established reputation, relationships with key players in the Philippine real estate industry, understanding of the Philippine real estate market, and deep experience in developing and managing properties such as our Properties.

In addition to the properties described above, we intend to expand our building portfolio by acquiring a fourth property, Teleperformance Cebu, from APRC, a wholly-owned subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined GLA of 17,947.96 sq.m., constructed on a 3,621 sq.m. parcel of land owned by our Sponsor, and located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City. Our Company intends to acquire the commercial buildings from APRC, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria. Please see the section entitled "Business and Properties – Teleperformance Cebu" in this REIT Plan. We intend to complete the acquisition of the office and retail buildings of Teleperformance Cebu from APRC or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, using the net proceeds from the Primary Offer. Please see the section entitled "Use of Proceeds" in this REIT Plan.

COMPETITIVE STRENGTHS

Top-class real estate player with proven track record and distinctive brand equity as Sponsor

Our Sponsor's strengths lie in its proven track record, strong brand reputation, and its ability to develop quality real estate products that cater to the different segments in the Philippine market. With over eight decades of experience, together with its parent company, Ayala Corporation, Ayala Land has become one of the largest and most experienced real estate developers in the Philippines. Ayala Land's proven track record includes the development of Makati as the country's premier CBD and Ayala Alabang as a prestigious suburban residential community. Our Sponsor is a leading office developer in the Philippines, particularly in the Metro Manila area, with a total gross floor area of 1,312,798 sq.m. at the end of 2019. Ayala Land overtook its competitors in 2018 to become the top office developer in Metro Manila, commanding a 9.28% market share, based on total gross floor area. Ayala Land also dominates the office market in the Makati CBD, holding a 55% market share of the total gross floor area in Makati, as of December 31, 2019. Moreover, Ayala Land's market share in Makati is projected to increase to 72% by the end of 2022. See the section entitled "Industry" in this REIT Plan.

Our Sponsor's earnings per share increased from ₱0.31 in 2009 to ₱2.25 in 2019 with a compound annual growth rate of 21.9% during that period. Its gross lease area for office space increased from 360,000 sq.m. in 2009 to 1.17 million sq.m. in 2019 with a compound annual growth rate of 12.5% during that period.

Our Sponsor is consistently improving its track record, making significant recent development in areas such as Bonifacio Global City in Taguig City, Cebu, and Nuvali in Sta. Rosa and Calamba City as well as recently launched estates in Abreeza Davao, Centrio Cagayan de Oro, Arca South Taguig, Circuit Makati and Vertis North Quezon City.

Our Sponsor's support can be seen from its extension of its "Ayala" brand to our Company. We believe that the Ayala Land name is synonymous with quality and prestige and is one of the most widely trusted brands in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivisions and high-rises, shopping centers, office buildings – and across a broad spectrum of price-points and geographies.

Because of its strong, nationwide brand reputation, Ayala Land is also the partner of choice for strategic partners and landowners who want to make significant new investments in the country and help prime our Sponsor's strategic growth centers. In addition, many globally recognizable multinational companies choose to reside in the Group's headquarter-type offices or BPO facilities. Ayala Land builds strong relationships with its business partners, land owners, tenants, employees, customers, the local government, non-government organizations, and communities. This allows our Sponsor to enhance its position as a leading property developer in the Philippines.

Primarily, AREIT will be the commercial REIT platform for ALI. However, if the opportunity arises, AREIT may also explore other types of real estate properties available in the market. AREIT is an important initiative for ALI. Beyond the Offer, our Sponsor is committed to growing and supporting the long-term viability of AREIT. This commitment is demonstrated primarily through: (i) our Sponsor becoming a significant Shareholder in our Company, upon completion of the Offer, directly holding at least 41.61%, and indirectly holding 9.39% through AyalaLand Offices, Inc., of our Company's issued and outstanding capital stock (assuming the Over-allocation Option is fully exercised); (ii) our Properties having been developed by and acquired from our Sponsor; (iii) our Directors and executive officers having extensive business experience with our Sponsor or other Group companies; (iv) some of the Properties' tenants having previous leasing relationships with our Sponsor; and (v) our Fund Manager and Property Manager both being wholly-owned Subsidiaries of our Sponsor. In addition, our Sponsor intends to maintain ownership of a minimum of 51% of the capital stock of our Company, with the possibility of increasing its ownership interest to up to 67%.

Exposure to prime, Grade A office property in the Philippines

Our Company presently owns two properties, and as of February 1, 2020, leases another property, all located in the heart of Makati. Makati has the highest concentration of multinational and local corporations in the Philippines, including major banks, conglomerates, and department stores as well as foreign embassies and as a result consistently displays some of the highest property values in all of Metro Manila. See the section entitled "Industry" in this REIT Plan. Through our first building, Solaris One, which our Company has owned since 2008, we have gained valuable knowledge and experience regarding the real estate market in Makati.

Our Properties provide Grade A office space for major domestic and international corporations. The Grade A classification of the buildings was determined based on industry criteria and subject to comparison with other similar developments. Grade A buildings are often in high-demand due to their location, facilities, layout and finishing among other factors. Our Company has obtained PEZA accreditation for the buildings, which feature amenities and technology for lessees that cater to the high-speed fiber-optic data telecommunications systems of telecommunications providers; the Properties also have clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems. PEZA accreditation enables our tenants to enjoy available fiscal and non-fiscal incentives under this tax regime such as a special tax rate of 5% on gross income, Income Tax Holidays and Exemption from creditable withholding taxes, among others. PEZA-related incentives will remain as long as the Company maintains their compliance with PEZA regulations and requirements. Our premier Properties have proven attractive to lessees who are leaders in their industries, including, among others, the Bank of the Philippine Islands, Shell Shared Services (Asia) B.V. – Philippine Branch, Concentrix CVG Philippines, Inc., ANZ Global Services and Operations (Manila), Inc, and, as of February 1, 2020, TELUS International Philippines. See the section entitled "Business and Properties – the Properties – Tenant Profile" for additional information on our tenants. Moreover, supply in Makati for Grade A, PEZA-accredited buildings specifically designed for BPO operations is limited. Most of BPO companies in Makati are located in facilities that were designed as HQ Offices. A number of tenants committed to leasing in Ayala North Exchange transferred from such HQ Office spaces in other buildings.

In addition, as of March 31, 2020, our Sponsor owns 12,192 hectares of land across strategic locations in the Philippines, across 57 identified growth centers in the country. Ayala Land's extensive land bank includes 428 hectares in Metro Manila, 46 located directly in Makati. Much of Ayala Land's land bank, over the years, has been developed with Ayala Land commercial buildings, including Ayala Center, Ayala North Exchange, Ayala Triangle, Vertis North, Ayala PSE at One Bonifacio, Cebu IT Park, and Circuit Makati, among others. Our Company will seek to explore investments, acquisitions, or other collaborative opportunities throughout the Philippines, on terms consistent with our investment policies, with respect both to present and future Ayala Land developments and to properties owned by third parties to which we may have exposure or access to through our Sponsor or other members of the Group. One such development is Teleperformance Cebu, one of the pioneer BPO buildings in Metro Cebu, owned by the APRC, a wholly-owned Subsidiary of Ayala Land, and constructed over a plot of land owned by our Sponsor. Taking advantage of our exposure to our Sponsor's holdings, we intend to expand our building portfolio by acquiring a fourth property, Teleperformance Cebu, from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, after the Primary Offer.

The association between our Company and our Sponsor offers various growth avenues for AREIT. Working together with our Sponsor, our Company is committed to growing AREIT through acquisition of relevant assets from our Sponsor or third parties under mutually acceptable terms. In the future, we will continuously seek to leverage our Sponsor's market knowledge, its established industry relationships, and its vast repository of real estate expertise, as well as to jointly explore potential synergies with our Sponsor, including possible opportunities with its extensive product lines, to grow our Company.

Investment in well-established commercial properties with quality tenant base, long land leases, and stable cash flow

In keeping with our planned investment strategy, as of the date of this REIT Plan, our Company has invested in the Properties, three Grade A buildings located in the heart of the country's financial center, Makati. Our first Property, Solaris One has been in operation since 2008 and has experienced consistently high occupancy rates. As of March 31, 2020, Solaris One is 100% occupied. Solaris One also benefits from having long-term, quality tenants, most of whom are recognizable multinational companies that are leaders in their fields and have strong track records of financial performance. See "Business and Properties – Solaris One – Tenant Profile" in this REIT Plan. Our second Property, Ayala North Exchange is a newly constructed building, which was fully completed in the third quarter 2019. Our Company already has nine commercial office Committed Leases, which gives Ayala North Exchange 100% occupancy in its commercial office floor area as of the date of this REIT Plan. These committed lessees are quality tenants, many of whom our Sponsor has had a previous or ongoing relationship with. Our third Property, McKinley Exchange, which we are leasing from our Sponsor effective February 1, 2020, has been in operation since the second quarter of 2015, and has been fully leased out since November 2014 with the Committed Lease of a single tenant in its office space, TELUS International Philippines, a pioneer in the BPO industry. Our Properties' tenants are acknowledged leaders in their industries, and include, among others, the Bank of the Philippine Islands, Shell Shared Services (Asia) B.V. – Philippine Branch, Concentrix CVG Philippines, Inc., ANZ Global Services and Operations (Manila), Inc, and as of February 1, 2020, TELUS

International Philippines. We expect that these positive relationships will continue, providing Ayala North Exchange, Solaris One, and McKinley Exchange, a stable tenant base. Our typical commercial office leases for both of our Properties last from five to ten years, providing our Company stability in its tenant base as well as time to forge relationships with our long-term tenants.

Our Company has experienced stable cash flows from rental revenue with respect to Solaris One. In the past three years, our Properties have not experienced any material defaults in payment of rent. We expect similar stability with respect to our current Committed Leases in Ayala North Exchange, which had its first Committed Lease as early as 2015. Our Company is also not subject to the effects of seasonality or other sales cycles, as our rent terms are fixed and apply uniformly across the lease terms. Additionally, our standard lease terms incorporate steep penalties in the event of a tenant's pre-termination of its lease. Such stable cash flows have, and will continue to, allow our Company flexibility in maintaining and upgrading the Properties, to continually satisfy our tenants; in seeking further investment opportunities, whether expansion of our existing Properties or acquisition of additional properties; and in making regular distributions to our Company's Shareholders.

Opportunities for growth through rent escalation/revision, active asset management, asset enhancement, and acquisitions

Our Committed Leases structurally provide our Company with opportunities for growth, which is primed to continue into the future. The total Gross Revenue from the Properties has increased during the four years ended December 31, 2019 primarily due to higher rental rates being obtained on new leases or on renewals of existing leases in Solaris One, as Ayala North Exchange had only been fully completed construction in the third quarter of 2019. In the coming years, we expect our total Gross Revenue to increase dramatically, with the inclusion of McKinley Exchange into the portfolio as of February 1, 2020, and with Ayala North Exchange becoming the leading income contributor of our Properties. We similarly expect our intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, and our potential investment in other properties to boost our revenue.

In addition to benefitting from our expanded business through Ayala North Exchange and McKinley Exchange, our Company will benefit from its active investment strategy. Our Property Manager, having significant experience with our Group, will actively seek to promote growth in our Company's Gross Revenue through (i) obtaining better lease terms, in particular, through securing higher rents and (ii) optimizing the use of existing leasable area at the Properties. Our Fund Manager aims to grow our Company's Gross Revenue and Net Operating Income on an annual basis in 2019 and beyond. As of the date of this REIT Plan, all of the Committed Leases for Solaris One, and McKinley Exchange, and the majority of the Committed Leases for Ayala North Exchange contain step-up provisions, whereby the tenant's rent is increased by a fixed percentage annually (which typically ranges from 3-10% over the preceding year) during the lease term. We also expect that our Property Manager, with oversight from our Fund Manager, will negotiate terms of rental rate escalation with our tenants when current leases with below-market rents expire, in order to match increased rental rates in the market.

Our Company also benefits from the flexibility of our future growth plans, as determined by our Company and our Fund Manager. These plans may include optimization of the use of existing leasable area in the Properties through more efficient use of spaces and resources or by acquiring additional properties. Ongoing industry research gives our Fund Manager access to information on changes in trends and allows our Property Manager to tailor the Company's tenant mix to movements in the Philippines and global economy. We believe that the Properties can continue to be desirable locations for multinational corporations by combining a diverse mix of Anchor Locators and specialty retailers, competitive amenities, and responsive tenant services. Our Company also has the flexibility to improve revenues by pursuing expansions and renovations of the Properties or acquisitions of additional properties. Our Fund Manager will monitor the real estate market for desirable opportunities. Our relationship with our Sponsor gives our Company particular insight into opportunities presented by the Group and increased knowledge about and expansive network within the Philippine real estate market. Our Company will also consider potential property acquisitions from third parties, if we are able to identify attractive opportunities on the market.

Generally above-inflation yields with stable and increasing distributions and capital appreciation

Our Company believes that the income stream of the Properties is well supported by present Committed Leases and long-term tenants. Over the past three years, we have not experienced any material defaults from our tenants with respect to their rental payments. Given the long-term relationships with our tenants, the long lease terms they typically sign (our commercial office lease terms generally run between five and ten years), and their successful track record, we believe that the Properties would be resilient in the event of a downturn in the domestic, regional, or global economy. In addition, over the last three years, the Properties have benefited from high occupancy levels, with average occupancy levels for the Properties of 98.7%. The ten largest tenants in terms of Gross Leasable Area in the Properties accounted for 74.4% of total Rental Income for the year ended December 31, 2019 and 78.0% of total Rental Income for the three-month period ended March 31, 2020. For the three-month period ended March 31, 2020, no more than 26.4% of total Rental Income from the Properties was derived from any one tenant. Considering however, that the lease of McKinley Exchange commenced on February 1, 2020, the figures herein presented include the historical data of McKinley Exchange. Based on BSP Data[22], the average inflation since 2014 is computed at 2.7%. The Company's leases are generally subject to annual escalation rate of 3-10% which is higher than the historical average inflation rates for the said period. Please note that while the leases are subject to 3-10% escalation, the rental income per audited financial statements may not exactly show an annual increase of 3-10% due to straight-line rent adjustments required by the accounting standards. Further, our Company's projection on dividend yield at 4.9% and 5.9% in 2020 and 2021 is generally higher than the average inflation rates from 2016 to 2019 (at 1.3% for 2016, 2.9% for 2017, 5.2% for 2018, and 2.5% for 2019). See the section entitled "Profit Forecast and Profit Projection" in this REIT Plan.

In addition, we expect similar factors to provide our Company with opportunities for increased growth into the future. Rental escalation provisions built in to our current Committed Leases, the replacement of old leases with new leases at higher rates, the full leasing of Ayala North Exchange (once totally operational), and the potential addition of high-quality properties to our portfolio, our intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, will boost our revenue significantly and allow us to provide increasing dividend distributions to our Shareholders.

Experienced, committed, and professional management team with over 80 years of accumulated experience

Our Company's management team is comprised of individuals who have spent their careers in the Philippine real estate industry and have gained valuable experience as long-time employees of the Group. Combining leading-edge product innovation with prudent and effective risk management practices, the Group manages a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the real estate industry. The Group employs a proven and highly-credible management talent pool across all levels of the organization, most with experience across multiple business lines. Indeed, Ayala Land consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices. The valuable experience gained in management positions throughout the Group enhance our Company's management team's ability to understand the dynamic Philippine real estate market and to coordinate seamlessly with our Company's Related Parties, including our Sponsor.

[22] Source: http://www.bsp.gov.ph/statistics/spei_new/tab34_inf.htm.

BUSINESS STRATEGIES

Our Company's principal investment strategy is to invest in income-generating real estate that meet a select set of criteria. Please see the section entitled "Business and Properties – Investment Policy" in this REIT Plan. Through the performance of services by our Fund Manager, following the requirements of the REIT Law, the Company and our Fund Manager will seek to procure and secure growing income that provides Competitive Investment Return to investors. Further to this, by performing its functions, our Fund Manager intends to maximize the investment returns by growing the Gross Revenue as well as the Net Operating Income from the existing Properties over time through active management of the Properties. Both our Fund Manager and our Property Manager have significant experience with the extensive property business of our Group and will work together to ensure that the Company fulfils the objectives of its investment strategy.

Our Fund Manager plans to achieve its key objectives for our Company through the following strategies:

- **Pro-active asset management and asset enhancement strategy.** Our Fund Manager will actively manage AREIT's property portfolio to achieve growth in revenue and Net Operating Income and maintain optimal occupancy levels. Our Fund Manager and our Property Manager will help drive organic growth, build strong relationships with the customers of the Properties, and seek enhancement and growth opportunities within the existing Properties.

- **Investments and acquisition growth strategy.** Our Fund Manager will achieve portfolio growth through the acquisition of quality income-producing commercial properties that fit within AREIT's investment strategy to enhance total return for Shareholders and increase potential opportunities for future income and capital growth. In executing this strategy, AREIT will endeavor to acquire properties situated in high-growth areas, whether from our Sponsor or third parties, to cater to economic growth.

- **Capital and risk management strategy.** Our Fund Manager will seek to manage and source capital so as to maximize overall returns for Shareholders. This may include accessing various capital markets to source appropriately priced and structured debt and equity, monitoring and implementing hedging arrangements as well as assessing alternative forms of capital and other capital management strategies where appropriate. Our Fund Manager may use financial instruments such as interest rate swaps to hedge certain financial risk exposures.

These strategies are discussed in additional detail below.

Pro-active Identification of Asset Growth Opportunities

To enhance the value of our Company's portfolio, our Fund Manager, pursuant to the Fund Management Agreement and consistent with our Company's investment strategy and the REIT Law, is primarily required to, among other things:

- Determine asset allocation to allowable investment outlets to enable our Company to improve yields

- Objectively evaluate whether properties targeted for acquisition meet our Company's rigorous investment criteria, and provide advice and recommendations to our Company accordingly;

- Continuously measure, monitor, and assess asset performance and valuation; and

- Perform all such acts necessary to ensure that our Company can maximize the value of its assets and deliver higher returns in line with its investment strategy.

Our Fund Manager will rely on the experience of its management to implement the pursued strategies. See the section entitled "Our Fund Manager and our Property Manager – Our Fund Manager" in this REIT Plan for more details on our Fund Manager's leadership.

Pro-active Asset Management

To enhance the value of our Properties, our Property Manager, pursuant to the Property Management Agreement and consistent with our Company's investment strategy and the REIT Law, is primarily required to, among other things:

- Formulate and implement leasing and marketing strategies to minimize vacancies and optimize occupancy levels;
- Administer, negotiate, execute, and enforce lease contracts;
- Plan, analyze, and optimize tenant mixes, rental rates, and policies in relation to industry and market standards;
- Continuously seek and implement asset enhancement and improvement opportunities and initiatives;
- Supervise billing and collections activities, enforce tenancy conditions, monitor past-due accounts, and manage rental arrears to minimize bad debts; and
- Perform all acts and functions relating to property management, including, but not limited to, providing routine property management services, conducting building management operations, ensuring compliance with applicable laws and regulations, and addressing all key operational issues to ensure alignment with our Company's strategy.

Our Property Manager will rely on the experience of its management to implement the pursued strategies. See the section entitled "Our Fund Manager and our Property Manager – Our Property Manager" in this REIT Plan for more details on our Property Manager's leadership. Our Property Manager will also rely on the market information and institutional knowledge available to it and the Company due to the nature and experience of our Sponsor.

Active Leasing Strategy

While the Properties currently enjoy very high occupancy levels, our Fund Manager will work with our Property Manager to manage lease renewals and new leases diligently in order to minimize void periods arising due to either lease expiries or early terminations. This may be achieved through the following strategies:

- advance lease negotiations with tenants whose leases are about to expire;
- preparing to have new tenants lined up in preparation for vacant space; and
- monitoring rent arrears to minimize defaults by tenants.

In addition, our Fund Manager will work with our Property Manager towards growing the Net Operating Income earned through pursuing an active leasing strategy. The Company expects this strategy to be implemented in two principal ways:

- maintaining and expanding the fixed increases in the rental rates of tenants during the course of the term, which are already present in most of the Properties' leases. We expect that this feature will also be present in most, if not all, future lease contracts; and
- negotiating increased rental rates, when current leases with below-market rents expire.

As leases expire, the Company will have the opportunity to change rental rates, to revise lease terms and conditions, to relocate existing tenants, and to reconfigure or expand tenant spaces.

Continued Improvement of Tenant Mix

Ongoing industry research gives our Fund Manager access to information on changes in trends and allows the Company, through our Property Manager, to tailor its tenant mix to movements in the Philippines and global economy. Our connection with our Sponsor gives us insight into the knowledge and experience of the Group.

We believe that the Properties can continue to be desirable destinations for well-established, stable multinational corporations by combining:

- a diverse group of Anchor Locators and specialty retailers;
- a prime location in the financial center of the Philippines;
- Grade A, HQ Office and BPO office space;
- PEZA-accreditation;
- ample car-parking space; and
- responsive building management.

In order to enhance each Property's appeal to a broad range of companies, our Property Manager will monitor the mix of tenants in each of the Properties in relation to industry or market standards and requirements. Generally, we target well-established, corporate and retail clients. Most of our Properties' current tenants were sourced through our Company's direct relationship with the tenant or through real estate brokers, whereby we were able to be selective with our chosen tenants. Our Property Manager's goal will be for each Property to generate high levels of interest in companies seeking corporate locations, thereby increasing both the potential for the relevant Property to receive a higher percentage of income from returning lessees and the likelihood of the relevant Property receiving higher rents from new tenants.

Delivering Superior Service to Tenants

To maintain our Company's reputation among our current tenants and potential future tenants, we expect our Fund Manager, in accordance with our investment strategies, to work with our Property Manager to ensure that the tenants in the Properties continues to receive superior services, such as:

- providing high quality asset management services to maintain high retention rates;
- facilitating relocation or expansion of tenants according to their operational requirements; and
- rapidly responding to tenants' feedback and enquiries.

Minimization of Operating Costs

In order to deliver optimal returns, we expect that our Property Manager, in accordance with our investment strategies, will strive to keep property operating expenses at each of the Properties low without compromising quality of services. These costs will include maintenance of common areas, property taxes, and property insurance. To minimize cost, we expect our Fund Manager, in coordination with our Property Manager, to exploit the benefits of scale from operating a portfolio of assets by, for example, organizing programs for bulk purchases of supplies and introducing systems to share successful cost-savings programs among the Properties. Our Property Manager will continue the existing conservation efforts in place in each of the Properties as well as explore implementing additional energy conservation initiatives to improve the efficiency of building operations and to reduce utilities costs.

Growth through Potential Investments

As of the date of this REIT Plan, our Company's property portfolio consists of three commercial properties located in the Makati CBD. Following the Offer, our Fund Manager will actively consider and solicit opportunities, consistent with our investment strategies, to grow our portfolio and invest in commercial buildings, such as our intended acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, using the net proceeds from the Primary Offer, as well as pursue other types of real estate opportunities, including potential investments in the retail, residential, industrial, warehouse, etc. real property sectors, that meet our Company's investment criteria for Grade A, centrally located, stably occupied and income producing properties.

The association between our Company and our Sponsor offers various growth avenues for AREIT. Working together with our Sponsor, our Company is committed to growing AREIT through acquisition of relevant assets from our Sponsor or third parties under mutually acceptable terms. In the future, we will continuously seek to leverage our Sponsor's market knowledge, its established industry relationships, and its vast repository of real estate expertise, as well as to jointly explore potential synergies with our Sponsor, including possible opportunities with its extensive product lines, to grow our Company.

Pursuant to our investment policy, while our current investment focus is on properties in Metro Manila and other key urbanized provinces in the Philippines, as with our assessment of various types of real estate, our focus is not limited, and our Fund Manager, consistent with our investment strategies, will assess and pursue attractive opportunities that arise through our connection with our Sponsor, third parties, and throughout the wider market.

In pursuing our growth strategy, the Company intends to use its existing cash, issue additional capital, and use leverage, whichever may be necessary, to acquire new properties. Use of these capital raising measures would depend on the specific transaction.

We intend to initiate this growth through additional property investment after the Offer. Teleperformance Cebu, formerly known as Aegis Towers 1 and 2, is a Grade A, mixed-use development owned by APRC, a wholly-owned subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined GLA of 17,947.96 sq.m., constructed on a 3,621 sq.m. parcel of land owned by our Sponsor, and located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City. Taking advantage of our exposure to our Sponsor's holdings, we intend to consummate the acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, using the net proceeds from the Primary Offer. We expect this addition to occur after the Offer but not later than December 31, 2020, unless such date is mutually extended by our Sponsor and our Company with such extension being for no more than six months from December 31, 2020. See "Business and Properties – Teleperformance Cebu" in this REIT Plan.

We plan to hold the Properties and other potential investments on a long-term basis. In the future, however, if our Fund Manager considers that any property affords a limited scope for income growth, our Fund Manager may consider and pursue various exit options and make corresponding strategic recommendations to the Company to sell or otherwise divest of its rights in the property and use the proceeds from such divestment to invest in new yield-accretive properties with greater potential for growth. Factors such as the national and international economic climate, trends in the retail industry, the quality and strategy of management, competition for tenants, changes in market rental rates, the inability to collect rent due to bankruptcy of tenants or otherwise, the need to periodically renovate, repair, and re-let space, and the costs thereof, the ability of our Property Manager to provide adequate maintenance and insurance, increased operating costs, and changes in laws and governmental regulations in relation to real estate could impact upon the performance of the Properties as well exit options and make corresponding strategic recommendations to the Company.

Capital and Risk Management

Our expectation is that our Fund Manager, pursuant to our investment strategies, will endeavor to employ an appropriate mix of debt and equity in financing operations and maintenance of the Properties as well as of any future acquisitions. As such, our Fund Manager will adopt financing policies to optimize risk-adjusted returns to Shareholders. Depending on the situation, such policies may entail the Company accessing various capital markets to source appropriately priced and structured debt and equity as well as assessing alternative forms of capital and other capital management strategies where appropriate.

INVESTMENT POLICY

Investment Strategy

Our Company's principal investment strategy is to invest in income-generating real estate. A core tenet of our investment policy is to invest in properties that meet a select set of criteria designed to provide a Competitive Investment Return to investors. To meet our Company's investment criteria, a potential new property should:

- be located in a prime location in either Metro Manila, key provinces in the Philippines, or other attractive locations as opportunities arise;
- be primarily (but not exclusively) focused on commercial properties, but may be related to other types of real estate properties, including retail, residential, hospitality, industrial, etc., available in the market; and
- have stable occupancy, tenancy, and income operations.

For any property that meets these criteria, the Company's focus will be on investing in the property for the long-term.

Our Fund Manager and our Property Manager intend to work towards maximizing investment returns by increasing Gross Revenue as well as Net Operating Income over time through active management of the properties owned now and in the future by the Company. Our Fund Manager and our Property Manager aim to promote growth in returns by obtaining better lease terms through pro-active lease negotiations, by optimizing the use of the Gross Leasable Area at each of the Properties, and by taking advantage of desirable opportunities for property acquisition.

The intention of our Fund Manager is to hold the Properties in our Company's portfolio on a long-term basis. However, where suitable opportunities arise, and subject to applicable laws and regulations, our Fund Manager may also consider divesting properties of our Company or part thereof to realize their optimal market potential and value. In the long run, our Fund Manager may also consider divesting mature and non-core properties which have reached a stage that affords limited growth for income growth in order to free up capital and reinvest proceeds into properties that meet our Company's investment criteria.

Investment Limitations

Our Company's business activities and investments are, however, subject to certain limitations under the REIT Law.

Investments

Pursuant to the REIT Law (and in many instances subject to the approval of the SEC), our Company generally may invest only in:

(i) real estate and real estate-related assets;

(ii) evidence of indebtedness of the Philippines and other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Philippines;

(iii) bonds and other forms of indebtedness issued by:

a. the government of any foreign country with which the Philippines maintains diplomatic relations, with a credit rating obtained from a reputable credit rating agency or a credit rating agency acceptable to the SEC that is at least two notches higher than that of Philippines bonds; and

b. supranationals (or international organizations whose membership transcends national boundaries or interests, e.g. International Bank for Reconstruction and Development, Asian Development Bank);

(iv) corporate bonds of non-property privately-owned domestic corporations duly registered with the SEC with a current credit rating of at least "A" by an accredited Philippine rating agency;

(v) corporate bonds of a foreign non-property corporation registered in another country provided that said bonds are duly registered with the SEC and the foreign country grants reciprocal rights to Filipinos;

(vi) commercial papers duly registered with the SEC with a current investment grade credit rating based on the rating scale of an accredited Philippine rating agency at the time of investment;

(vii) equities of a non-property company listed in a local or foreign stock exchange, provided that these stocks shall be issued by companies that are financially stable, actively traded, possess a good track record of growth, and have declared dividends for the past three years;

(viii) cash and cash equivalents;

(ix) collective investment schemes, duly registered with the SEC or organized pursuant to the rules and regulations of the BSP; provided however that: (i) the collective investment scheme must have a track record of performance at par with or above the median performance of pooled funds in the same category as appearing in the prescribed weekly publication of the net asset value per unit of the collective investment scheme units; and (ii) new collective investment schemes may be allowed provided that its fund manager has at least a three-year track record in managing pooled funds;

(x) offshore mutual funds with rating acceptable to the SEC; and

(xi) synthetic investment products (i.e. derivatives and other such securities), provided that: (i) synthetic investment products shall not constitute more than 5% of the investible funds of the REIT; (ii) the REIT shall avail of such synthetic investment products solely for the purpose of hedging risk exposures of the existing investments of the REIT; (iii) the synthetic investment products shall be accounted for in accordance with PFRS; (iv) the synthetic investment products shall be issued by authorized banks or non-bank financial institutions in accordance with the rules and regulations of the BSP and/or the SEC; and (iv) the use of synthetic investment products shall be disclosed in this REIT Plan and under special authority from the SEC derivatives and other such securities.

At least 75% of the Deposited Property must be invested in, or consist of, income generating real estate which is held for the purpose of generating a regular stream of income such as, but not limited to, rentals, toll fees, user's fees, ticket sales, parking fees, and storage fees. Geographically, at least 35% of the Deposited Property should be invested in property located in the Philippines, and in no case may our Company's investments in such property fall below 35% of the Deposited Property. Additionally, our Company may invest in income generating real estate located outside of the Philippines, however, such an investment must not exceed 40% of the Deposited Property. Investment in such foreign properties is also subject to special authorization from the SEC. In issuing such authorization, the SEC shall consider, among other things, satisfactory proof that the valuation of assets is fair and reasonable.

As described above, a REIT may also invest in real estate-related assets, wherever the issuers, assets, or securities are incorporated, located, issued, or traded. However, not more than 15% of the funds of the REIT that can be placed in investment vehicles other than income-generating real estate, as allowed under these REIT Law, may be invested in any one issuer's securities or any one managed fund. If the REIT's investment is in Philippine government securities, then the limit is raised to 25%.

Borrowing

Pursuant to the REIT Law, the total borrowing and deferred payments of a REIT should not exceed 35% of the Deposited Property. A REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency, however, may exceed this 35% limit, but in no circumstances may its total borrowing and deferred payments exceed 70% of the Deposited Property. In the event that our Company intends to borrow beyond 35% of the Deposited Property, it shall achieve such a rating and publicly disclose it, as required by the REIT Law. Under no circumstances may our Fund Manager borrow on behalf of our Company from any of the funds under its management.

Property Development

Pursuant to the REIT Law, a REIT shall not undertake property development activities whether on its own, in a joint venture with others, or by investing in unlisted property development companies, unless:

(i) it intends to hold in fee simple the developed property for at least three years from date of completion;

(ii) the purchase agreement of the property is made subject to the completion of the building with proper cover for construction risks;

(iii) the development and construction of the real state shall be carried out on terms which are the best available for the REIT and which are no less favorable to the REIT than an arm's length transaction between independent parties; and

(iv) the prospects for the real estate upon completion can be reasonably expected to be favorable.

Exit Strategy

As a general practice, we arrange for the terms of our land and building leases from our Sponsor to be coordinated with the useful life of the Properties in our portfolio. For a discussion of the salient terms of the land lease agreements, including grounds for termination or cancellation of the agreement, see the section "Certain Agreements Relating to Our Company and the Properties – Land Lease Agreements."

Our Company has no current joint ownership arrangement. In the event that such an arrangement arises in the future, our Company will provide for an appropriate means of exiting that relationship.

AREIT is an important milestone for our Sponsor. Our Sponsor is committed to growing and supporting the long-term viability of the Company. Thus, the Sponsor intends to maintain ownership of a minimum of 51% of the capital stock of our Company, with the possibility of increasing its ownership interest to up to 67%.

If our Sponsor were to divest its ownership in our Company, our ability to grow would be affected because our relationship with our Sponsor provides us access to other prime properties for potential acquisition and inclusion in our property portfolio. In the unlikely event of divestment, we expect to be self-sufficient and would continue to pursue our investment strategies. See discussion on "Risk Factor – Divestment by our Sponsor could inhibit our growth".

Our Company's principal investment strategy is to invest in income-generating real estate properties that meet a select set of criteria. To meet our Company's investment criteria, a potential new property should (1) be located in a prime location in either Metro Manila or other key provinces in the Philippines, (2) be primarily (but not exclusively) focused on commercial properties, but may be other types of real estate properties available in the market, and (3) have stable occupancy, tenancy, and income operations. Please see the sections entitled "Business and Properties – Business Strategies" and "Business and Properties – Investment Policy" in this REIT Plan.

Regardless of the Sponsor's divestment and expiration of our land lease agreements with it, our Company shall continue to pursue viable business opportunities that meet our high investment standards, including growing our portfolio. Our pursuit for growth is not anchored on our Sponsor participation's as a stakeholder nor hinged on the continued life of our land and building lease agreements with Ayala Land.

HISTORY

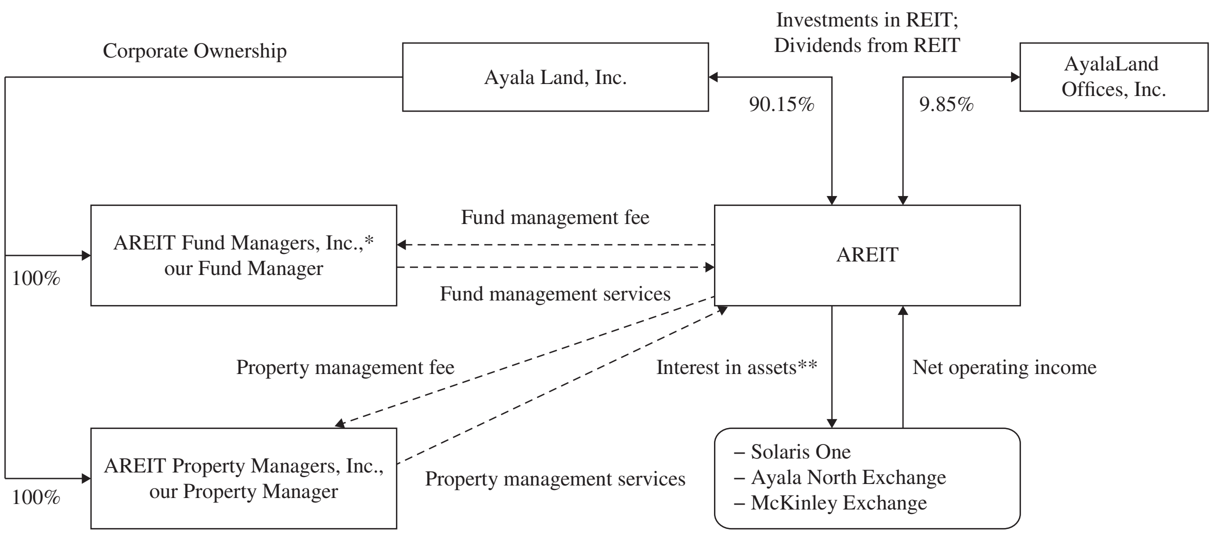
Our Company was incorporated in the Philippines on September 4, 2006 as One Dela Rosa Property Development, Inc. On April 12, 2019, our Company changed its name to AyalaLand REIT, Inc. On June 28, 2019, our Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc. As of the date of this REIT Plan, we have invested in three properties in Metro Manila: Solaris One, which was completed in 2008 and has been in operation since then, Ayala North Exchange, which we acquired from our Sponsor in 2018 and has been in operation since then, and McKinley Exchange, which we are leasing from our Sponsor, and has been in operation since 2015.

Set out below are the key milestones in our Company's history:

September 2006	Establishment of One Dela Rosa Property Development, Inc.
January 2007	Construction of Solaris One began.
December 2008	Start of commercial operations in Solaris One.
March 2015	Start of commercial operations of McKinley Exchange.
May 2018	Start of commercial operations in Ayala North Exchange.
October 2018	Our Company purchased Ayala North Exchange from Ayala Land.
April 2019	Our Company changed its name from One Dela Rosa Property Development, Inc. to AyalaLand REIT, Inc.
June 2019	Our Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc.
Q3 2019	Completion of construction of Ayala North Exchange.
January 2020	Our Company signed a Memorandum of Agreement to acquire Teleperformance Cebu (The acquisition will be subject to the customary closing conditions usually performed prior to a sale).
February 2020	Our Company leased McKinley Exchange from Ayala Land.

CORPORATE AND SHAREHOLDING STRUCTURE

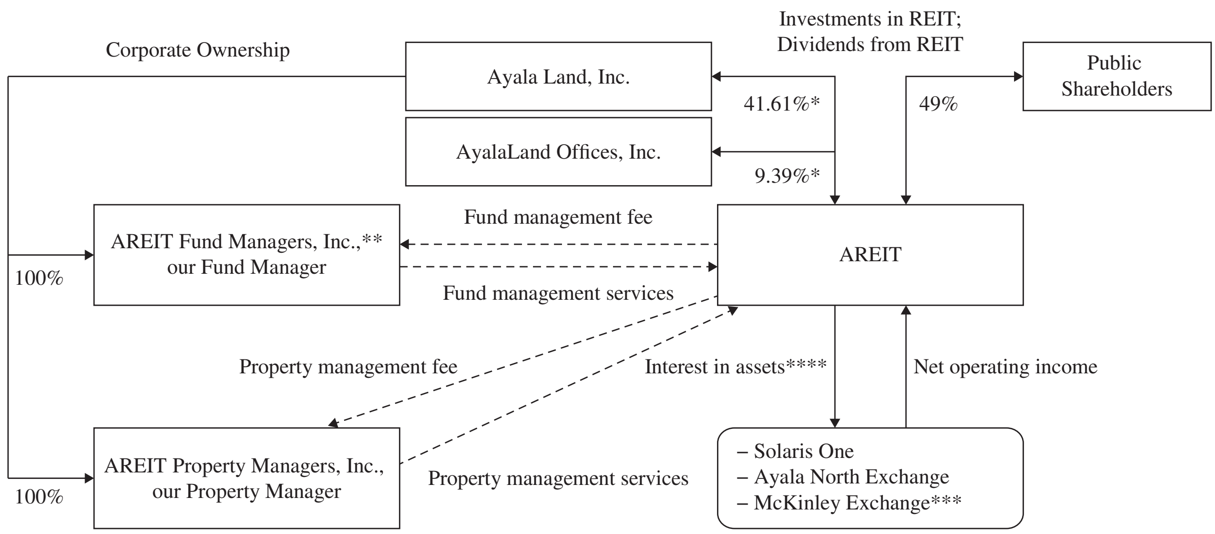
The chart below sets out the corporate and managerial structure relating to our Company as of the date of this REIT Plan.



* *The Fund Manager' application for licensing was approved by the SEC on July 2, 2020.*

** *The Company's Properties include three commercial buildings known as Solaris One, and Ayala North Exchange via freehold (i.e. which are owned by the Company), and, as of February 1, 2020, McKinley Exchange via leasehold (i.e. which is leased by the Company). The land on which these buildings are built do not form part of the Company's asset portfolio and is not owned by the Company. The lands for each building are subject of lease agreements between the Company and the legal owners thereof – Ayala Land for Solaris One and McKinley Exchange, and HLC Development Corp. for Ayala North Exchange (While HLC is the beneficial owner of the entire 7,657 sq.m. lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sq.m. portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City).*

The chart below sets out the corporate and managerial structure relating to our Company following the Listing Date.



* *Assuming that the Over-allocation Option is fully exercised.*

** *The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.*

*** *Also to include commercial buildings of the mixed-use development of Teleperformance Cebu, or an alternative property that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, upon completion of our Company's acquisition of such property.*

**** *The Company's Properties include three commercial buildings known as Solaris One and Ayala North Exchange via freehold (i.e. which are owned by the Company), and as of February 1, 2020, McKinley Exchange via leasehold (i.e. which is leased by the Company). The land on which these buildings are built do not form part of the Company's asset portfolio and is not owned by the Company. The lands for each building are subject of lease agreements between the Company and the legal owners thereof – Ayala Land for Solaris One and McKinley Exchange, and HLC Development Corp. for Ayala North Exchange (While HLC is the beneficial owner of the entire 7,657 sq.m. lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sq.m. portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City).*

Our Company, incorporated on September 4, 2006, has an authorized capital stock of ₱11,740,000,000 divided into 1,174,000,000 common shares with a par value of ₱10.00 per Share, of which 977,792,435 Shares are issued and outstanding and 67,329,970 are held in treasury, as of the date of this REIT Plan. On December 13, 2018, our Company conducted a capital restructuring, increasing its capital stock and consolidating its shares into a single class of common shares. Following the capital restructuring, our Company is approximately 90% owned by Ayala Land and 10% owned by AyalaLand Offices, a Subsidiary of Ayala Land. Our Company presently does not have any Subsidiaries.

THE PROPERTIES

As of the date of this REIT Plan, our Company's Properties include three commercial buildings known as Solaris One, and Ayala North Exchange, via freehold (i.e. which are owned by the Company), and as of February 1, 2020, McKinley Exchange, via leasehold (i.e. which is leased by the Company). As of date of this REIT Plan, the Company's property portfolio consists of these three commercial buildings in Metro Manila, Philippines, which meet our investment criteria. The land on which these buildings are built do not form part of the Company's asset portfolio and is not owned by the Company. The lands for each building are subject of lease agreements between the Company and the legal owners thereof – Ayala Land for Solaris One and McKinley Exchange, and HLC Development Corp.,[23] a wholly-owned Subsidiary of our Sponsor, for Ayala North Exchange. The lease rates for the lease of McKinley Exchange, and the land-leases over the land on which the properties stand are all entered into at arms-length. All three Properties are located in Makati City, the premier financial business district in the Philippines.

In 2006, our Company, in conjunction with Ayala Land, agreed to develop a building on a parcel of land owned by Ayala Land. This project later became known as Solaris One. Our Company has owned the building since its construction. Ayala North Exchange was previously owned by our Sponsor. Our Company acquired Ayala North Exchange from our Sponsor pursuant to a Deed of Assignment signed October 2, 2018 and which became effective on October 5, 2018. On January 31, 2020, our Company entered into a Contract of Lease with our Sponsor for the lease of McKinley Exchange which lease commenced on February 1, 2020. See the section entitled "Certain Agreements relating to Our Company and the Properties – Description of the Agreements to Acquire the Properties" for a more detailed description of our Company's acquisition of our Properties.

For an explanation of how certain historical operating data relating to the Properties, with the exception of McKinley Exchange, the lease for which only commenced on February 1, 2020, has been prepared, see the section entitled "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in this REIT Plan.

Unless otherwise indicated herein, the following discussion does not include the historical data, and prospective value of McKinley Exchange as the lease for the Property commenced only on February 1, 2020.

The table below sets out certain information with respect to each of the Properties as of March 31, 2020:

Property	Total GLA	Construction completion date(1)	Completion of most recent expansion/ renovation	Land/ Building lease expiry date
	(sq.m.)	(Year)	(Year)	(Year)
Solaris One	46,767.95	2008	2017	2048
Ayala North Exchange	95,300.35	2019	N/A(2)	2058
McKinley Exchange	10,687.50	2014	N/A	2054
Total	152,755.80	–	–	–

Notes:

(1) Completion date refers to the date of the necessary government approval for the purpose of business occupation.

(2) Ayala North Exchange has not undergone any expansion or renovation, as it was completed in the third quarter 2019.

23 While HLC is the beneficial owner of the entire 7,657 sq.m. lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sq.m. portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City.

The Properties, with the exception of McKinley Exchange, the lease for which commenced only on February 1, 2020, generated total Gross Revenue of ₱1,516.2 million for the year ended December 31, 2019. For that year, Solaris One accounted for 46.2% of the Properties' Gross Revenue and Ayala North Exchange accounted for 53.8% of Gross Revenue.

The table below sets out certain financial and other details for each of the Properties (with the exception of McKinley Exchange, the lease for which commenced only on February 1, 2020) as of December 31, 2019:

Property	**Gross Revenue**[(1)]	**Gross Revenue as a percentage of total Gross Revenue**	**Net Operating Income**	**Net Operating Income as a percentage of Gross Revenue**	**Number of tenants**[(3)]	**Percentage leased**[(2)]
	(₱ million)	**(%)**	**(₱ million)**	**(%)**	**(count)**	**(%)**
Solaris One	701.0	46.2%	554.1	79.0%	13	96.2%
Ayala North Exchange	815.2	53.8%	526.1	64.5%	53	99.3%
Total.	1,516.2	100.0%	1,080.2	71.2%	66	98.3%

Notes:

(1) Includes income from straight-line method of recognizing rental income.

(2) Based on the date of lease commencement specified in the relevant Committed Leases.

(3) This number reflects all tenants, including all commercial office and retail tenants.

Comparatively, the Properties generated total Gross Revenue of ₱446.8 million for the three-month period ended March 31, 2020. The table below sets out certain financial and other details for each of the Properties as of March 31, 2020:

Property	**Gross Revenue**[(1)]	**Gross Revenue as a percentage of total Gross Revenue**	**Net Operating Income**	**Net Operating Income as a percentage of Gross Revenue**	**Number of tenants**[(3)]	**Percentage leased**[(2)]
	(₱ million)	**(%)**	**(₱ million)**	**(%)**	**(count)**	**(%)**
Solaris One	188.4	42.2%	148.5	78.8%	13	100%
Ayala North Exchange	239.5	53.6%	157.5	65.8%	61	100%
McKinley Exchange	18.9	4.2%	14.4	76.2%	8	98.4
Total.	446.8	100%	320.4	71.7%	82	99.9%

Notes:

(1) Includes income from straight-line method of recognizing rental income.

(2) Based on the date of lease commencement specified in the relevant Committed Leases.

(3) This number reflects all tenants, including all commercial office, flexible office, serviced apartment, and retail tenants.

Valuation

The Properties (buildings only and excluding the land on which the buildings are constructed) were valued by Asian Appraisal on June 17, 2020 as follows:

Property	Valuation[(1)]	Percentage of Total Valuation
	(₱ million)	**(%)**
Solaris One	12,054	40.0%
McKinley Exchange	2,072	6.9%
Ayala North Exchange	16,026	53.2%
Total	**30,152**	**100%**

Note:

(1) See the "Independent Property Valuation Report" attached at Annex 2.

The valuation was made on the basis of market value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. To arrive at the market value of the Properties, Asian Appraisal used the income approach, specifically the Discounted Cash Flow analysis. Asian Appraisal's assumptions include the following:

- average rent revenue growth rates from are 5% for Ayala North Exchange HQ, 4% for Solaris One, McKinley Exchange and Ayala North Exchange BPO from 2020 to 2029, and 2% for Ayala North Exchange Retail from 2021 to 2029;

- operating expenses are projected based on a 5-year historical average for Solaris One and McKinley Exchange and estimated forecast expenses for Ayala North Exchange;

- capital expenditures of 3.0% of projected rent revenues for all Properties except McKinley Exchange; a building lease of P2.7 million per month with annual escalation of 5% is assumed for McKinley Exchange;

- discount rate of 8.5% for all Properties; and

- terminal value or reversion value based on Gordon growth model.

Rental Rates

Rental rates for the Properties are generally fixed in advance for the tenure of the lease term and are subject to review and renegotiation on expiry of the lease. In line with market practice in the Philippines, the lease agreements with tenants for the Properties generally do not provide for rent reviews during the period of the lease. In addition, a significant proportion of leases include a step-up provision negotiated at the time of the entering into of a lease, whereby the base rent is increased by a fixed quantum/percentage annually during the lease term. With respect to lease renewals, most lease agreements provide that the rental rate for the initial year of the renewal term will be the fair market value, but in no instance shall the rent for the initial year of the renewal term be 10% lower or higher than the rental rate for year of the preceding lease term.

As of March 31, 2020, the consolidated weighted average yearly rental escalation for the Office GLA for the Properties is at 3.9%. As of March 31, 2020, the weighted average yearly rental escalation for the Office GLA of the Properties is at 3.6% for Solaris One, 4.2% for Ayala North Exchange, and 4.0% for McKinley Exchange. These weighted average figures were calculated based on the yearly escalation rate of all active tenants as of March 31, 2020 and were weighted by the Office tenant's GLA.

From 2017 to 2019, Solaris One has generated 69.0% of the Gross Revenue of the Properties. Because Ayala North Exchange had only been completed in the third quarter of 2019, it has not generated significant Gross Revenue from 2017 to 2019. Similarly, since the lease of McKinley Exchange commenced only on February 1, 2020, it has not generated Gross Revenue for our Company over the three years ended December 31, 2019. At the end of December 31, 2018, construction on the first tower of Ayala North Exchange was completed, and in late-2018 Ayala North Exchange, which had already secured Committed Leases, began generating rental revenue. Those Committed Leases for Ayala North Exchange contain a provision which provided for the tenants' initial quarterly rent – in addition to an advance rent equivalent to three months – to be immediately payable upon either signing of the lease contract or transfer of physical possession of the leased space to the tenant, whichever came earlier. For McKinley Exchange, our Company expects an increase in the Gross Revenue for the Properties commencing February 2020 given the Committed Leases for McKinley Exchange.

The tables below set out information on the Gross Leasable Area, Gross Revenue, and Gross Revenue per sq.m. derived from each of the Properties for the years ended December 31, 2016, 2017, 2018, and 2019 and for the period ended March 31, 2020:

Property	**GLA as at December 31, (sq.m.)(1)**				**Total Gross Revenue for year ended December 31, (₱ million)(2)(3)**				**Monthly Gross Revenue per sq.m. of GLA for year ended December 31, (₱ thousand)(2)(3)**			
	2016	**2017**	**2018**	**2019**	**2016**	**2017**	**2018**	**2019**	**2016**	**2017**	**2018**	**2019**
Solaris One	46,767.95	46,767.95	46,767.95	46,767.95	683.4	698.2	714.1	701.0	1.2	1.2	1.3	1.3
Ayala North Exchange	–	–	46,359.01	95,300.35	–	–	151.2	815.2	–	–	0.3	0.7
Total	**46,767.95**	**46,767.95**	**93,126.96**	**142,068.30**	**683.4**	**698.2**	**865.3**	**1,516.2**	**1.2**	**1.2**	**0.8**	**0.9**

Property	**GLA as at March 31, (sq.m.)(1)**	**Total Gross Revenue for period ended March 31, (₱ million)(2)(3)**	**Monthly Gross Revenue per sq.m. of GLA for period ended March 31, (₱ thousand)(2)(3)**
Solaris One	**46,767.95**	**188.4**	**1.4**
Ayala North Exchange	**95,300.35**	**239.5**	**0.8**
McKinley Exchange	**10,687.50**	**18.9**	**0.6**
Total	**152,755.80**	**446.8**	**1.0**

Notes:

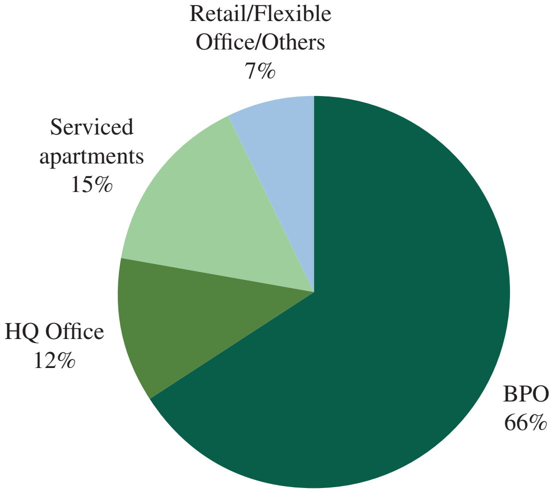
(1) Refers to GLA dedicated to office, retail use, serviced apartment and flexible office.

(2) The financial information in this table is based on audited financial figures for the years ended December 31, 2016, 2017, 2018, 2019 and March 31, 2020.

(3) Includes income from straight-line method of recognizing rental income.

In addition to the Properties described above, we intend to expand our building portfolio by acquiring from APRC, a wholly-owned Subsidiary of Ayala Land, a fourth building, Teleperformance Cebu, or an alternative building from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, using the net proceeds from the Primary Offer. Teleperformance Cebu is a Grade A, mixed-use development which consists of two PEZA-accredited BPO offices, with a combined GLA of 17,947.96 sq.m. The building currently hosts a single tenant in its office space, TPPH – FHCS, Inc., more commonly known as Teleperformance, a pioneer in the BPO industry. Based on the GLA of the existing committed lease at Teleperformance Cebu, the addition of Teleperformance Cebu to our property portfolio is expected to increase our GLA by 11.7%, to a total of 170,703.76 sq.m..

Assuming our Company acquires Teleperformance Cebu, the breakdown of our GLA across our tenant sectors (based on Committed Leases and the existing committed lease at Teleperformance Cebu) is set out in the chart below:



Occupancy

Over the last three years, Solaris One has benefited from high occupancy levels. As of December 31, 2017, 2018 and 2019, Solaris One had occupancy levels of 98.6%, 99.4% and 96.2%, respectively. Solaris One benefits from a stable tenant base, as demonstrated by the high level of tenancy renewals. Solaris One's occupancy rates were also consistently above the average occupancy levels for the same periods for office space in Metro Manila, which recorded an average vacancy rate of 5.3% in 2017 and 4.7% in 2018, according to data from Colliers.

Over the last three years, Ayala North Exchange has had little to no occupancy as it started its initial occupancy only in late-2018. As of December 31, 2018, and 2019, our Company had Committed Leases to cover 100% and 100% of the office GLA in Ayala North Exchange, respectively. Given the similar composition of the tenants who have committed to lease in Ayala North Exchange and our Sponsor's previous relationship with many of these tenants, we expect a similar level of tenancy renewals and stability in its tenant base.

Over the last three years, McKinley Exchange has had almost 100% occupancy in its office spaces, because of TELUS International Philippines' full office building lease which commenced in the second quarter of 2015.

The tables below set out information on the percentage of the total Gross Leasable Area of each of the Properties that was leased as of December 31, 2016, 2017, 2018, and 2019 and as of March 31, 2020, and the market average occupancy rate for commercial office space in the Makati CBD as of the same dates:

Property	As of December 31, 2016	As of December 31, 2017	As of December 31, 2018	As of December 31, 2019
Solaris One				
Total GLA leased (sq.m.)	46,526.02	46,097.60	46,499.46	44,983.67
Total available GLA (sq.m.)	46,767.95	46,767.95	46,767.95	46,767.95
Occupancy rate	99.5%	98.6%	99.4%	96.2%
Ayala North Exchange[(1)]				
Total GLA leased	–	–	44,720.56	94,627.68
Total available GLA	–	–	46,359.01	95,300.35
Occupancy rate	–	–	96.5%	99.3%
Total				
Total GLA leased	46,526.02	46,097.60	91,220.02	139,611.35
Total available GLA	46,767.95	46,767.95	93,126.96	142,068.30
Occupancy rate	99.5%	98.6%	98.0%	98.3%
Average commercial office space occupancy in Makati CBD[(2)]	98.50%	98.83%	97.87%	98.37%

Property	As of March 31, 2020
Solaris One	
Total GLA leased (sq.m.)	46,762.85
Total available GLA (sq.m.)	46,767.95
Occupancy rate	100%
Ayala North Exchange[(1)]	
Total GLA leased	95,300.35
Total available GLA	95,300.35
Occupancy rate	100%
McKinley Exchange	
Total GLA leased	10,514.21
Total available GLA	10,687.50
Occupancy rate	98.4%
Total	
Total GLA leased	152,577.41
Total available GLA	152,755.80
Occupancy rate	99.9%
Average commercial office space occupancy in Makati CBD[(2)]	98.4%

Notes:

(1) Ayala North Exchange began leasing its office space on May 15, 2018.

(2) Source: Market Study on the Metro Manila Office Sector by Colliers, dated June 22, 2020, attached at Annex 3.

The occupancy rate for Solaris One has remained generally stable over the three-year period. With a similar composition of tenants in Ayala North Exchange, we expect a similar level of stability.

As at March 31, 2020, the total occupancy rate of the Properties (by GLA) was 99.9%.

The Properties' high occupancy levels principally reflect the high levels of demand for commercial space from potential tenants in each of the Properties, in turn reflecting their strategic locations in Makati. Our Fund Manager believes that the high levels of occupancy are also a result of pro-active lease management policies with respect to the renewal and replacement of tenants in order to minimize periods of vacancy.

Tenant Profile

As of March 31, 2020, commercial office space comprised approximately 75.8% of the total Gross Leasable Area of the Properties. The major tenants of the Properties include major, international corporations, such as the Bank of the Philippine Islands, Shell Shared Services (Asia) B.V. – Philippine Branch, Concentrix CVG Philippines, Inc., and Oracle Netsuite (Philippines), Inc. The ten largest tenants in terms of total Gross Leasable Area accounted for 89.5% of total Rental Income for the year ended December 31, 2018 and 74.4% of total Rental Income for the year ended December 31, 2019. For the three-month period ended March 31, 2020, no more than 38.8% of total Rental Income was derived from any one industry sub-sector while, no more than 26.4% of total Rental Income was derived from any one tenant.

The table below sets out details of the ten largest tenants of the Properties (including those with Committed Leases in Ayala North Exchange, and McKinley Exchange), in terms of total Gross Leasable Area, as of March 31, 2020:

	Tenant	Industry sector	Property	Total GLA	Percentage of total GLA
				(sq.m.)	(%)
1	Shell Shared Services (Asia) B.V. – Philippine Branch	Shared service	Solaris One	33,091.87	21.7%
2	Makati North Hotel Ventures, Inc.	Serviced apartment	Ayala North Exchange	26,034.00	17.0%
3	Concentrix CVG Philippines, Inc.	Outsourcing	Ayala North Exchange	24,136.90	15.8%
4	Oracle Netsuite (Philippines), Inc.	Shared service	Ayala North Exchange	10,098.55	6.6%
5	Bank of the Philippine Islands	Banking and finance	Ayala North Exchange	10,012.12	6.6%
6	Telus	Outsourcing	McKinley Exchange	9,633.32	6.3%
7	ANZ Global Services and Operations (Manila), Inc.	Shared service	Solaris One	8,652.94	5.7%
8	Amaysim Philippines Inc.	Outsourcing	Ayala North Exchange	4,081.35	2.7%
9	Prulife Insurance Corporation of UK	Insurance	Ayala North Exchange	3,279.60	2.1%
10	Novartis Healthcare Philippines, Inc.	Healthcare & pharmaceuticals	Ayala North Exchange	3,260.96	2.1%
	Total of ten largest tenants			**132,281.61**	**86.6%**
	Other tenants including vacancies			20,474.19	13.4%
	Total			152,755.80	100.0%

The table below sets out details of the Properties' overall distribution of office space, in terms of office type, and overall tenant diversification, in terms of industry sector, as of March 31, 2020:

Office type and industry sector	Gross Leasable Area[(1)]	Percentage of total GLA[(2)]
	(sq.m.)	(%)
BPO Office		
Shared service	51,843.36	33.9%
Outsourcing	43,702.26	28.6%
HQ Office		
Banking & finance	10,121.69	6.6%
Insurance	4,922.79	3.2%
Healthcare & pharmaceuticals	4,899.41	3.2%
Real Estate	356.14	0.2%
Flexible office	1,533.44	1.0%
Serviced apartment	26,034.00	17.0%
Retail/others	9,164.32	6.0%
Total	**152,577.41**	**99.9%**

Notes:

(1) Based on Committed Leases which have commenced on the specified lease term.

(2) Based on a total combined GLA of the Properties of 152,755.80 sq.m.as of March 31, 2020.

The tenancy profile of the Properties reflects their strategic location in Makati and their target markets. While a large proportion of tenants at Solaris One, and McKinley Exchange consist of companies in the BPO industry, Ayala North Exchange has a high proportion of tenants in both the BPO industry and the banking and finance industry.

Leasing Activities, Expiries, and Renewals

Most of the commercial office lease agreements for the Properties are for tenancy periods of between five and ten years. This reflects the general practice in the Philippines' property market for corporate tenancies. Tenants of the Properties typically pay a security deposit equal to three months' rent and advance rental payments equivalent to three months' rent upon handover of the leased premises or signing of the lease agreement, whichever comes first. Tenants of the Properties generally pay monthly rent as well as a monthly service charge for the maintenance of the building and the upkeep of common areas. Our Company sends tenants statements of accounts on a quarterly basis, and collections both from office and retail tenants are received every 5th working day of the calendar quarter following the billing period.

Solaris One, has not historically experienced a high concentration of lease expiries. With similar leases in place for Ayala North Exchange, we expect to see a similar pattern. See the section entitled "Risk Factors – Risks relating to our Properties – Most of the Properties' leases are for periods of between five and ten years, which may expose the Properties to high rates of lease expires in the future" in this REIT Plan. The Properties currently enjoy very high occupancy levels, and our Fund Manager will work with our Property Manager to manage lease renewals and new leases diligently in order to minimize void periods arising due to either lease expiries or early terminations. This may be achieved through advance lease negotiations with tenants whose leases are about to expire; preparing to have new tenants lined up in preparation for vacant space; and monitoring rent arrears to minimize defaults by tenants.

We believe that we have been highly successful in renewing our leases with our existing, high-quality tenants. The table below sets out information on the expired commercial office leases that were renewed or replaced at Solaris One since 2008:

Tenants	Number of leases expired[1]	GLA of expired leases	Number of expired leases renewed	Total renewed GLA	Renewal rate by number of leases	Renewal rate by expired leased area
	(count)	(sq.m.)	(count)	(sq.m.)	(%)	(%)
Shell Shared Services (Asia) B.V. – Philippine Branch.	1	31,312.69	1	31,312.69	100%	100%
ANZ Global Services and Operations (Manila), Inc.	2	8,652.94	2	8,652.94	100%	100%
Institutional Shareholders Services, Inc.	2	2,783.39	2	2,783.39	100%	100%
Publicis JimenezBasic Advertising, Inc.	4	1,421.99	4	1,421.99	100%	100%[2]
Sungard System Philippines, Inc. (replaced by Silverlake Symmetri (Philippines) Enterprises, Inc.) . . .	2	1,027.90	2	1,027.90	100%	100%[2]
Gestfikos Corporation	1	90.70	1	90.7	100%	100%[2]
Informatics College Eastwood Inc. . .	4	126.92	4	126.92	100%	100%[2]
Alveo Land Corporation	3	356.14	3	356.14	100%	100%
Grenoble Travel and Tours	1	139.57	1	139.57	100%	100%[2]
Bank of the Philippine Islands	2	107.57	2	107.57	100%	100%
Bayan Telecommunication, Inc.	1	5.10	0	–	0	0
Banco de Oro Unibank, Inc (replaced by Security Bank Corporation) . . .	7	2.0	7	2.0	100%	100%[2]
Total/Average	**30**	**46,026.91**	**29**	**46,021.81**	**97%**	**100%**

Notes:

(1) As Ayala North Exchange only commenced commercial leasing in 2018, it presently has no track record of expired leases being renewed or replaced.

(2) Expired lease was taken up by a replacement lessee.

Since commencement of its operations in March 2015, McKinley Exchange has housed TELUS International Philippines, the latter occupying 100% of the building's office spaces. Our Fund Manager will work with our Property Manager to manage the lease renewals and obtain new leases diligently in order to maximize the void periods arising due to either lease expiration or early termination. Advanced lease negotiations will continue to be had prior to expiration of the leases, and new tenants are lined up in preparation for vacant spaces.

The table below sets out details of lease expiration in respect of the commercial office Committed Leases for the Properties which are scheduled to take place in the future:

Period/Year ended March 31,	Expiring GLA	Expiring GLA as a percentage of total GL[(1)]	Percentage of expiring Rental Income to total Rental Income[(2)]
	(sq.m.)	(%)	(%)
2020	0	0%	0%
2021	1,386.04	1.2%	1.3%
2022	9,633.32	8.3%	7.0%
2023	20,634.03	17.8%	18.5%
Average	7,913.35	6.8%	6.7%

Notes:

(1) The total Gross Leasable Area for these periods will be 115,850.75 sq.m. This figure does not include GLA dedicated to retail space, flexible office, and serviced apartments.

(2) Rental Income from commercial offices leases (excluding parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Income payable for 2020.

With respect to retail Committed Leases as of March 31, 2020, which make up only 9,164.32 sq.m. of the GLA in the Properties, the lease terms generally range from two to three years. Our retail leases, however, are generally staggered, and we have historically high levels of continued occupancy with our retail lessees.

The commercial office Committed Leases of the Properties have a weighted average lease expiry ("**WALE**") of 5.84 years (by GLA) as of May 30, 2020).

The Committed Leases for the Properties (including the lease to Makati North Hotel Ventures, Inc. for 100% of the serviced residence portion of Ayala North Exchange) has a WALE of 11.38 years (by GLA) as of May 30, 2020).

In order to maximize the number of expiring leases which are renewed and maintain a stable tenant base, our Property Manager intends to continue to pro-actively manage the renewal of tenancy arrangements. Under the lease agreements, tenants are required to notify the Company in writing of their intention to renew the lease at least six months prior to the expiration of the lease term. The Company and the tenant shall then negotiate and endeavor to sign a new contract of lease at least 90 days prior to the expiration of the lease period. In the event that the parties are unable to complete negotiations on the terms of renewal prior to the lapse of the original term, the original lease term is deemed automatically extended for such period until the renewal contract is executed, but does not exceed six months from the expiration of the original term of the lease. If no renewal contract is signed within such six-month period, then the lease contract shall expire on the last day of such period.

In addition, our Fund Manager intends to work with our Property Manager towards growing the Net Operating Income earned through pursuing an active leasing strategy. Our Fund Manager expects to implement its strategy in two principal ways: first, our Company will maintain and expand the fixed increases in the rental rates of tenants during the course of the term, which are already present in most of the Properties' leases. We expect that this feature will also be present in most, if not all, future lease contracts. Second, we will attempt to negotiate increased rental rates when current leases with below-market rents expire. As leases expire, the Company will have the opportunity to change rental rates, to revise lease terms and conditions, to relocate existing tenants, and to reconfigure or expand tenant spaces. For the portion of Gross Leasable Area designated for retail, our Property Manager may negotiate to expand a successful retailer's space or to take back space from an underperforming retailer or may seek to obtain commitments from new retailers for existing available space or planned expansions.

Each of the Properties can be re-designed to meet the changing needs of the corporate consumer. Ongoing industry research gives our Fund Manager and our Property Manager access to information on changes in trends and allows the Company to tailor the tenant mix to movements in the Philippines and global economy. We believe that the Properties can continue to be desirable locations for multinational corporations by combining a diverse mix of Anchor Locators and specialty retailers, competitive amenities, and responsive tenant services.

Green Initiatives

Consistent with our Sponsor's goal of bolstering sustainable development in the Philippines by integrating eco-efficient practices into its developments, and our Sponsor's commitment to achieve carbon neutrality in all commercial properties by 2022, our Company has initiated efforts to make the Properties greener, lessening our carbon footprint, and ensuring environmental efficiency for the Properties.

Pursuant to the goal of ensuring ecological efficiency for the Properties, we initiated measures to address the continuing loss of natural resources, by using them judiciously and efficiently, reducing consumption and emissions. In terms of energy conservation, Solaris One is currently using renewable energy as certified by the International RES Standard. Likewise, Ayala North Exchange is currently in the process of switching to renewable energy sources. LEED Certification for Ayala North Exchange is also in process. Upon acquisition of Teleperformance Cebu, the Company will add to its portfolio a LEED Gold building. Our Property Manager shall continue to promote programs and mechanisms pursuant to the goal of making all the Properties sustainable.

Our Properties are also strategically located to ensure pedestrian mobility and transport connectivity. The Properties are located within areas that promote alternatives to motorized transportation, and is connected to infrastructure that promote walking, and efficient commuting with designated transport stops and terminals for public utility vehicles.

In addition, the Company has a Sustainability Committee which shall regularly review the Company's composition, taking into consideration the progressing standard of our Company, and best practices in sustainable development. The Sustainability Committee provides oversight, and identifies and assesses significant social, ethical, and environmental interdependencies that might impact on the long-term business objective of the Company to be recognized as a responsible and sustainable corporation in the property sector. This governance structure would allow our Company to improve our methods, manage our resources prudently, always mindful of our environmental footprint.

Maintenance

Over the course of the useful life of the Properties, our Property Manager will maintain the Properties. Our Company endeavors to keep the Properties in good working order, subject to high commercial standards, and acceptable to our tenants. These efforts mean expending funds to complete routine maintenance, including maintenance of elevators, air-conditioning, and restrooms, repainting, parking improvement, landscape enhancement, waterproofing, building refurbishment, and equipment upgrades, as well as extraordinary maintenance, in the event of damage from weather disturbances, such as typhoons, earthquakes, or floods, and from other unforeseen events. Our Company has, in the past, and expects to, in the future, fund such necessary maintenance by our Property Manager with cash. Accordingly, our Company intends to maintain a cash reserve, representing capital expenditure of 3-5% of gross Rental Income, to fund all routine and extraordinary maintenance.

Solaris One has undergone some refurbishment since its construction. In 2017, Solaris One had ramps for persons with disabilities installed in its common areas. As Ayala North Exchange was completed only in the third quarter 2019, it has not needed any renovation to date. Our Company's projections for future refurbishments of the Properties are included in our allocated capital expenditure provision.

Third-Party Suppliers

Presently, the major suppliers of the Properties are primarily third-party companies in charge of particular building functions. These include manpower services, such as janitorial/housekeeping, technical maintenance, and security. Our Company's contracts with these third parties typically provide from 30-day to quarterly payment terms. These contracts are normally secured with a performance bond to be cancelled or released only upon performance of all contractual and statutory duties and obligations. Contractors are likewise required to obtain and maintain at their own expense and throughout the term of the contracts a Comprehensive General Liability Insurance issued by a reputable insurance company acceptable to the Company.

Marketing

Our Company, through our Property Manager, expends funds on marketing activities. Marketing expenses primarily comprise advertising and promotion expenses, selling expenses, and tenant renovation allowances. Our Company plans to continue to improve the marketing and promotional activities for our Properties with the goal of maximizing the pool of eligible and desirable tenants. To achieve this, our Property Manager will assemble an experienced group of marketing and advertising professionals, who will develop customized marketing plans for each Property. These plans will address the Properties' tenant mix, market characteristics, and cost of available media. Please see the section entitled "Our Fund Manager and our Property Manager – our Property Manager" in this REIT Plan.

SOLARIS ONE

Solaris One is a Grade A, commercial office building in the heart of Metro Manila's preeminent financial business district. The building, which was built in 2008 and was previously known as E-Services 3 Dela Rosa Building, is located on Dela Rosa Street in the high-density commercial area of Makati City, Metro Manila's main CBD. Makati City has the highest concentration of multinational and local corporations in the Philippines, including major banks, conglomerates, and department stores as well as foreign embassies. As of March 31, 2020, it comprised 46,767.95 sq.m. of Gross Leasable Area and incorporated seven stories of car parking lots and 16 stories of commercial office space on a plot of land with an area of 3,612 sq.m. Of the total Gross Leasable Area, 46,026.91 sq.m. is designated for office leases. Solaris One also features a mini-park and 741.04 sq.m. of Gross Leasable Area for retail purposes.

As of December 31, 2018, Solaris One was 99.4% leased, with 15 individual leases, and as of December 31, 2019, it was 96.2% leased, with 13 individual leases, making it an important part of the Makati CBD. As of March 31, 2020, it was 100% leased, with 13 individual leases. Solaris One is positioned for major multinational corporations as well as local businesses and banks. Reflecting this, Solaris One's Anchor Locators include recognizable names such as Shell Shared Services (Asia) B.V. – Philippine Branch, and ANZ Global Services and Operations (Manila), Inc.

Located at 130 Dela Rosa Street, Solaris One is present in the heart of the Philippines financial center, Makati City. In a central location, Makati City is accessible to and from the other districts of Metro Manila. According to Colliers, the total population of Makati City as of 2015 was approximately 582,602, giving corporations with offices in Solaris One a large population from which to draw their employees.

Solaris One has car parking facilities in seven podium levels, comprising 671 car parking spaces in total. Car park lots are available to tenants and visitors, and generated revenue of ₱26.2 million, ₱33.1 million, ₱30.1 million, and ₱23.4 million for the years ended December 31, 2019, 2018, 2017, and 2016, respectively. For the three-month period ended March 31, 2020, car park lots generated revenue of ₱7.3 million.

Although our Company does not specifically target any particular client segment for Solaris One, we believe that Solaris One is particularly attractive to BPOs. Our Company has obtained PEZA accreditation for the building, thereby allowing BPOs to enjoy tax incentives and making Solaris One a more attractive leasing opportunity to such businesses. PEZA accreditation enables our tenants to enjoy available fiscal and non-fiscal incentives under this tax regime such as a special tax rate of 5% on gross income, Income Tax Holidays and Exemption from creditable withholding taxes, among others. To achieve PEZA's technical requirements, Solaris One features amenities and technology that cater to the high-speed fiber-optic data telecommunications systems of telecommunications providers. Solaris One also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems. Solaris One's largest tenant, Shell Shared Services (Asia) B.V. – Philippine Branch, which has been leasing space in the building since 2008 and as of December 31, 2018 was the largest contributor of our Company's total Gross Revenue, is a BPO company.

For the year ended December 31, 2019, 13 companies leased space in Solaris One. In the same year, Solaris One generated ₱711.5 million in Gross Revenue. For the three-month period ended March 31, 2020, 13 companies leased commercial space in Solaris One. For the same period, Solaris One generated ₱190.7 million in Gross Revenue. Please see the section entitled "Selected Financial and Operating Information" in this REIT Plan.

Our Company, in conjunction with Ayala Land, agreed to develop a building on a parcel of land owned by Ayala Land. This development later became known as Solaris One. Our Company has owned the building since its construction.

As of June 17, 2020, Solaris One was valued at ₱12,054 million by Asian Appraisals. See the Independent Property Valuation Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Solaris One's largest tenants include Philippine and international corporations with strong brand recognition globally. The majority of the lease commitments of Solaris One's tenants are for a term of five years or more, with options for the tenant to renew.

Reflecting its positioning within Metro Manila's main CBD, Solaris One caters to a variety of different businesses engaged in a number of different industries. For the three-month period ended March 31, 2020, the BPO industry was the most significant contributor to the Rental Income of the Property, accounting for 88.5% of Property's Rental Income.

The table below sets out information on the seven commercial office tenants of Solaris One in terms of Gross Leasable Area as of March 31, 2020:

	Tenant	Industry	Total GLA	Percentage of Properties' total GLA
			(sq.m.)	**(%)**
1	Shell Shared Services (Asia) B.V. – Philippine Branch	Shared service	33,091.87	70.8%
2	ANZ Global Services and Operations (Manila) Inc.	Shared service	8,652.94	18.5%
3	Institutional Shareholders Services, Inc.	Outsourcing	2,783.39	6.0%
4	Silverlake Symmetri (Philippines) Enterprises, Inc. (subsequently subleased to Tagit Philippines Inc.)	Outsourcing	1,027.90	2.2%
5	Alveo Land Corporation	Real estate	356.14	0.8%
6	Bank of the Philippine Islands	Banking & finance	107.57	0.2%
7	Security Bank ATM.	Banking & finance	2.00	0.0%
	Total		**46,021.81**	**98.4%**

The Property's Anchor Locators are Shell Shared Services (Asia) B.V. – Philippine Branch and ANZ Global Services and Operations (Manila), Inc., both of which hold offices in Solaris One. For the three-month period ended March 31, 2020, the Property's Anchor Locators contributed approximately 77.9% of the Property's Rental Income.

Details of Solaris One's Anchor Locators are as follows:

Shell Shared Services (Asia) B.V. – Philippine Branch: The Philippine branch of the shared service company that services Pilipinas Shell Petroleum Corporation, whose corporate offices occupy a total of 33,091.87 sq.m. on the 9th and 16th to 25th stories of Solaris One. Also included in its lease is a stockroom and a shower room on the 6th and 7th floors. It has been a tenant at Solaris One since September 2008.

ANZ Global Services and Operations (Manila), Inc.: A shared service company that provides outsourcing and support services to the Australia and New Zealand Banking Group. ANZ Global Services holds a corporate office, which occupies a total of 8,652.94 sq.m. on the 10th, 11th, 12th, and 14th stories of Solaris One. It has been a tenant at Solaris One since May 2010.

Related Party Tenants

Our Company's related party tenants are Alveo Land Corporation and the Bank of the Philippine Islands, which are leasing, in the aggregate, approximately 1.0% of GLA of Solaris One.

Lease Expiries and Renewals

Since Solaris One was completed in 2008 and our typical commercial office lease terms for the building run between five and ten years, a number of the building's leases expired between 2013 and 2018.

The following table sets out information on commercial office leases at Solaris One that expired and those that were renewed by the existing tenants during the years ended December 31, 2017, 2018, and 2019:

Years ended December 31, 2017, 2018, and 2019	Number of leases expired(1)	GLA of expired leases	Number of expired leases renewed(2)	Total renewed GLA	Renewal rate by number of leases	Renewal rate by expired GLA
		(sq.m.)		(sq.m.)	(%)	(%)
2017	2	266.49	2	226.49	100%	100%
2018	2	358.14	2	358.14	100%	100%
2019	5	4,408.75	4	4,403.65	80%	99.9%
Average	3	1,677.79	2.7	1,676.09	89%	99.9%

Notes:

(1) Does not include leases for retail tenants.

(2) As of the date of REIT Plan.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Solaris One which, as of the date of this REIT Plan, are scheduled to take place during the years ended December 31, 2020, 2021, 2022 and 2023:

Period/Year ended December 31,	Expiring GLA	Expiring GLA as a percentage of total GLA(1)	Percentage of expiring Rental Income to total Rental Income(2)
	(sq.m.)	(%)	(%)
2020	0	0%	0%
2021	1,386.04	3.0%	3.1%
2022	0	0%	0%
2023	0	0%	0%
Average	346.01	0.8%	0.8%

Notes:

(1) Calculated using the current Gross Leasable Area of Solaris One for office space: 46,026.91 sq.m.

(2) Rental Income from commercial offices leases (excluding parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Income payable for 2020.

AYALA NORTH EXCHANGE

Ayala North Exchange is a Grade A, mixed-use commercial building in the heart of Metro Manila's preeminent financial business district. The newest addition to the Company's portfolio, the building was issued its excavation permit on August 1, 2014 and groundbreaking began within the same month. It was previously known as project City Gate. As of September 30, 2019, Ayala North Exchange's total available Gross Leasable Area was constructed. Ayala North Exchange is located on Ayala Avenue in the high-density commercial area of Makati City, Metro Manila's main CBD. As mentioned above, Makati City has the highest concentration of multinational and local corporations in the Philippines, including major banks, conglomerates, and department stores as well as foreign embassies. Ayala North Exchange consists of two towers, one 12-stories high and the other 20-stories high, on a plot of land with an area of 7,657 sq.m., which represents a total of 95,300.35 sq.m. of Gross Leasable Area.

Our Company envisions Ayala North Exchange as a fully mixed-use development, and its current Committed Leases reflect this strategy. Of the 95,300.35 sq.m. of GLA available in Ayala North Exchange, 61,723.96 sq.m. is designated as HQ Office, BPO Office, and flexible office space, 7,542.39 sq.m. is reserved as retail shop space, and 26,034 sq.m. is set aside for a collection of serviced apartments and associated amenities branded as Seda Residences Makati. The building also incorporates six levels of basement car parking, totaling 1,058 parking slots.

In 2018, although Ayala North Exchange has not yet been fully constructed, our Company has secured committed lessees for the building. As of March 31, 2020, Ayala North Exchange has Committed Leases for 100% of the building's office GLA. Some of these leases were perfected as early as 2015 and commenced as early as May 2018, but the bulk of these leases commenced in the second half of 2018. Ayala North Exchange is positioned for major multinational corporations as well as local BPO businesses, serviced apartments, and banks. The majority of Ayala North Exchange's tenants are engaged in the BPO industry or the banking and finance industry. Ayala North Exchange's Anchor Locators include reputable businesses such as Makati North Hotel Ventures, Inc., Concentrix CVG Philippines, Inc., Oracle Netsuite (Philippines), Inc., and the Bank of the Philippine Islands.

Located at 6796 Ayala Avenue corner Salcedo Street, Ayala North Exchange is present in the heart of the Philippines financial center, Makati City. In a central location, Makati City is accessible to and from the other districts of Metro Manila. According to Colliers, the total population of Makati City as of 2015 was approximately 582,602, giving corporations with offices in Ayala North Exchange a large population from which to draw their employees.

Ayala North Exchange has car-parking facilities in six basement levels, comprising 1,058 car parking spaces in total.

Although our Company does not specifically target any particular client segment for Ayala North Exchange, we believe that Ayala North Exchange is particularly attractive to BPOs, and we anticipate that 40,356.20 sq.m. of its Gross Leasable Area will be taken up by BPO companies. Ayala North Exchange is a PEZA-accredited building, thereby allowing BPOs to enjoy tax incentives in the building and making it a more attractive leasing opportunity to such businesses. PEZA accreditation enables our tenants to enjoy available fiscal and non-fiscal incentives under this tax regime such as a special tax rate of 5% on gross income, Income Tax Holidays and Exemption from creditable withholding taxes, among others. To achieve PEZA's technical requirements, Ayala North Exchange's BPO Office space features amenities and technology that cater to the high-speed fiber-optic data telecommunications systems of telecommunications providers. Ayala North Exchange also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems.

Based on the Committed Leases for Ayala North Exchange, for the year ended December 31, 2019, nine commercial office tenants leased space in Ayala North Exchange and generated for our Company ₱804.8 million in Gross Revenue. For the three-month period ended March 31, 2020, nine commercial office tenants leased space in Ayala North Exchange and generated for our Company ₱237.3 million in Gross Revenue. Please see the section entitled "Selected Financial and Operating Information" in this REIT Plan.

Our Company acquired Ayala North Exchange from our Sponsor on October 2, 2018 pursuant to a Deed of Assignment which became effective on October 5, 2018. See the section entitled "Certain Agreements relating to Our Company and the Properties – Description of the Agreements to Acquire the Properties" in this REIT Plan for additional details.

As of June 17, 2020, Ayala North Exchange was valued at ₱16,026 million by Asian Appraisal. See the Independent Property Valuation Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

Ayala North Exchange's largest tenants include Philippine and international corporations with strong local and international brand recognition. The majority of the lease commitments of Ayala North Exchange's tenants are for a term of five years or more, with options for the tenants to renew.

Reflecting its positioning within Metro Manila's main CBD and its focus as a mixed-use development, Ayala North Exchange caters to a variety of different businesses engaged in a number of different industries. For the three-month period ended March 31, 2020, the BPO industry and the banking and finance industry were the most significant contributors to the Rental Income of the Property, accounting for approximately 58.9% and 15.4% of Rental Income, respectively.

Of the nine committed commercial office leases as of December 31, 2019, eight of the nine started their lease terms in 2018, while the remaining one started in 2019. For the year ended December 31, 2018, all eight tenants that started their lease terms in 2018 commenced paying rent in 2018. The other tenant commenced paying rent in 2019. The following table sets out information on the nine tenants who signed Committed Leases for Ayala North Exchange in terms of Gross Leasable Area as of March 31, 2020:

	Name	**Industry**	**Total GLA**	**Percentage of Properties' total GLA**
			(sq.m.)	**(%)**
1	Concentrix CVG Philippines, Inc..	Outsourcing	24,136.90	25.3%
2	Oracle Netsuite (Philippines), Inc.	Shared service	10,098.55	10.6%
3	Bank of the Philippine Islands	Banking & finance	10,012.12	10.5%
4	Amayasim Philippines Inc..	Outsourcing	4,081.35	4.3%
5	Prulife Insurance Corporation of UK	Insurance	3,279.60	3.4%
6	Novartis Healthcare Philippines, Inc.	Healthcare & pharmaceuticals	3,260.96	3.4%
7	Institutional Shareholders Services, Inc. . .	Outsourcing	2,039.40	2.1%
8	AON Insurance and Reinsurance Brokers Philippines, Inc..	Insurance	1,643.19	1.7%
9	Medical Doctors, Inc.(1)	Healthcare & pharmaceuticals	1,638.45	1.7%
	Total		**60,190.52**	**63.2%**

Note:

(1) Committed to lease in 2018 but commenced its lease term in 2019.

The Property's Anchor Locators are Makati North Hotel Ventures, Inc., Concentrix CVG Philippines, Inc., Oracle Netsuite (Philippines), Inc., and the Bank of the Philippine Islands. For the three-month period ended March 31, 2020, the Property's Anchor Locators contributed approximately 59.0% of Rental Income.

Details of Ayala North Exchange's Anchor Locators are as follows:

Makati North Hotel Ventures, Inc.: Makati North Hotel Ventures, Inc. is the owner of Seda Residences Makati. It is a wholly-owned Subsidiary of AyalaLand Hotels and Resorts Corp., which in turn, is a wholly-owned Subsidiary of our Sponsor.

Concentrix CVG Philippines, Inc.: An outsourcing company, Concentrix is currently the building's largest tenant. It operates BPO Offices, occupying 24,136.90 sq.m. of GLA on the ground floor and the 14th to 25th stories of the BPO Office tower of Ayala North Exchange. Its lease will not expire until 2026.

Oracle Netsuite (Philippines), Inc.: A shared service BPO company operates its business on the 5th, 6th, and 7th stories of the BPO Office tower of Ayala North Exchange. It occupies 10,098.55 sq.m. of GLA, and its lease will not expire until 2024.

Bank of the Philippine Islands: Bank of the Philippine Islands is a leading universal bank in the Philippines. It is an Associate of Ayala Corporation and parent of BPI Capital Corporation and a lessee of the Company. It accounts for 10,012.12 sq.m. of GLA, occupying offices on the ground floor and the 11th to 17th stories of the HQ Office tower of Ayala North Exchange. BPI's lease will not expire until 2023.

Ayala North Exchange has a strong mix of commercial office lessees and thus has limited exposure to any particular industry. In addition, many of the tenants of Ayala North Exchange, including Concentrix CVG Philippines, Inc., Institutional Shareholders Services, Inc., Pru Life Insurance Corporation, and the Bank of the Philippine Islands, have previously been tenants of other buildings owned by our Sponsor. Our Group's familiarity with these tenants increases our confidence in the strength and stability of Ayala North Exchange's tenant base.

Related Party Tenants

The Bank of the Philippine Islands, a related party of our Company, is leasing approximately 10.5% of the GLA of Ayala North Exchange. Makati North Hotel Ventures, Inc., a wholly-owned Subsidiary of AyalaLand Hotels and Resorts Corp., which in turn, is a wholly-owned Subsidiary of our Sponsor, leases 100% of the serviced residences portion of Ayala North Exchange.

Lease Expiries and Renewals

As Ayala North Exchange has only been completed in the third quarter of 2019, it has not yet needed to deal with any lease expirations or renewals. However, similar to Solaris One, many of the current Committed Leases for Ayala North Exchange have five-year terms for commercial office space. We therefore expect that Ayala North Exchange's leases will begin to expire on a five-year cycle, mostly beginning in 2018 and 2019. As a result, we expect lease expiry rates to be slightly higher in 2023 and 2024 once the first wave of leases begins to expire. For the year 2023, we anticipate that 21.7% of Ayala North Exchange's GLA for office space will be up for renewal. Our Fund Manager believes that the majority of these expiring leases will be successfully renewed.

The table below sets out details of lease expirations in respect of the commercial office Committed Leases for Ayala North Exchange which, as of the date of this REIT Plan, are scheduled to take place during the periods indicated:

Year ended December 31,	**Expiring GLA**	**Expiring GLA as a percentage of total GLA[(1)]**	**Percentage of expiring Rental Income to total Rental Income[(2)]**
	(sq.m.)	**(%)**	**(%)**
2020	0	0%	0%
2021	0	0%	0%
2022	0	0%	0%
2023	20,634.03	33.4%	35.2%
Average	5,158.01	8.4%	8.8%

Notes:

(1) Gross Leasable Area of Ayala North Exchange will be approximately 60,190.52 sq.m. This does not include GLA dedicated as flexible office, serviced apartments, and retail space.

(2) Rental Income from commercial offices leases (excluding parking fees) in respect of the expiring leases for the periods mentioned is calculated on the basis of Rental Income payable for 2020.

MCKINLEY EXCHANGE

McKinley Exchange is a Grade A commercial building, located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. McKinley Exchange consists of one 5-storey tall tower, on a plot of land with an area of 4,513 sq.m. McKinley Exchange has 10,687.50 sq.m. of Gross Leasable Area, 9,633.32 sq.m. of which is designated for commercial office leasing, and gross floor area of 14,598.40 sq.m. The building also incorporates two basement levels for car parking, offering a total of 120 parking slots.

While McKinley Exchange first began operations in March 2015, it was fully leased to tenants as early as November 2014. As of March 31, 2020, McKinley Exchange was 100% leased out, with a single individual lease. McKinley Exchange's current tenant is TELUS International Philippines, a pioneer in the BPO industry. A leading BPO service provider, TELUS International Philippines has five sites in the country and over 12,000 employees delivering customer service to its clients around the world. Its parent company, TELUS, is Canada's fastest-growing national telecommunications company with millions of its own customer connections. For the years ended December 31, 2018, and 2019, McKinley Exchange generated ₱101.3 million and ₱98.0 million in Rental Income, respectively.

Located at the corner of McKinley Road, one of the gateways to Bonifacio Global City, and EDSA, Metro Manila's major thoroughfare, McKinley Exchange also serves as a transport hub connecting bus lines going to and from Bonifacio Global City, and Makati City, as well as the serving as a connection to the MRT-3 line, making it accessible to commuters. According to Colliers, the total population of Makati City as of 2015 was approximately 582,602, giving corporations with offices in McKinley Exchange a large population from which to draw their employees.

McKinley Exchange has car parking facilities in two basement floors, comprising 120 car parking spaces in total.

Although our Company does not specifically target any particular client segment for McKinley Exchange, we believe that McKinley Exchange is particularly attractive to BPOs, such as TELUS International Philippines. Our Sponsor has obtained PEZA accreditation for the building, thereby allowing BPOs to enjoy tax incentives and making McKinley Exchange a more attractive leasing opportunity to such businesses. PEZA accreditation enables our tenants to enjoy available fiscal and non-fiscal incentives under this tax regime such as a special tax rate of 5% on gross income, Income Tax Holidays and Exemption from creditable withholding taxes, among others. To achieve PEZA's technical requirements, McKinley Exchange features amenities and technology that cater to the high-speed fiber-optic data telecommunications systems of telecommunications providers. McKinley Exchange also has clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems. TELUS International Philippines has been leasing 100% of the office spaces in McKinley Exchange since it started operations in March 2015.

For the year ended December 31, 2019, McKinley Exchange generated ₱98.0 million in Rental Income. For the three-month period ended March 31, 2020, McKinley Exchange generated ₱17.8 million in Rental Income.

Our Sponsor commenced the construction of McKinley Exchange in 2013 which was completed in March 2015. On January 31, 2020, our Company leased McKinley Exchange from our Sponsor, which lease became effective on February 1, 2020. See the section entitled "Certain Agreements Relating to Our Company and the Properties – Description of the Agreements to Acquire the Properties" in this REIT Plan for additional details.

As of June 17, 2020 McKinley Exchange was valued at ₱2,072 million by Asian Appraisal. See the Independent Property Valuation Report set out at Annex 2 of this REIT Plan for more details.

Tenant Profile

McKinley Exchange's sole office tenant is TELUS International Philippines, a pioneer in the BPO industry. TELUS International Philippines has five sites in the country and over 12,000 employees delivering customer service to its clients around the world. Its parent company, TELUS, is Canada's fastest-growing national telecommunications company with millions of its own customer connections. TELUS International Philippines' lease in McKinley Exchange is for a period of 8 years, commencing on December 12, 2014 until November 30, 2022, with an option to renew. TELUS International Philippines occupies a total gross leasable area of 9,633.32 sq.m., and accounts for 85% of McKinley Exchange's Rental Income.

Lease Expiries and Renewals

Since McKinley Exchange was completed in March 2015, its offices spaces were fully occupied by TELUS International Philippines, whose lease runs until November 30, 2022. As such, McKinley Exchange has yet to deal with any lease expiration or renewals for its office spaces. For the year 2022, we anticipate that the entire office space of McKinley Exchange will be up for renewal. Our Property Manager shall commence renewal negotiations with TELUS Philippines as early as the March 2021.

TELEPERFORMANCE CEBU

In accordance with our investment strategy, we intend to use our net proceeds from the Primary Offer to fund our future potential investments in real estate properties in Metro Manila and other key regions in the Philippines. Please see the section entitled "Use of Proceeds" in this REIT Plan. At the present stage, while we have engaged in investigation regarding certain properties, we have not, save as set forth below, entered into any definitive commitments regarding such potential acquisitions.

On January 31, 2020, our Company, our Sponsor, and APRC, a wholly-owned Subsidiary of Ayala Land, entered into a Memorandum of Agreement (the "**MoA**"), which details the agreement in principle between our Company and APRC for the acquisition by our Company of Teleperformance Cebu, and our Sponsor for an alternative property owned by our Sponsor, or any of its Subsidiaries or Affiliates, that meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, should the same be necessary. The MoA specifically envisions the acquisition of Teleperformance Cebu, formerly Aegis Towers 1 and 2, a Grade A, mixed-use development owned by APRC, a wholly-owned Subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined Gross Leasable Area of 17,947.96 sq.m., constructed on a 3,261 sq.m. parcel of land owned by our Sponsor, and located in Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City. The property is a 12-storey reinforced concrete framed commercial space with two (2) basement parking levels with a total of 237 parking slots, a penthouse, and roof deck. Under the MoA, our Company and APRC have committed to enter into a deed of absolute sale (the "**Teleperformance Cebu Deed of Absolute Sale**") over Teleperformance Cebu no later than December 31, 2020, unless such date is mutually extended by the parties, with such extension being not be more than six months from December 31, 2020. The MoA likewise provides that prior to the execution of the Teleperformance Cebu Deed of Absolute Sale, APRC or our Sponsor, or any of our Sponsor's Subsidiaries or Affiliates may, subject to the agreement and acceptance of our Company, substitute Teleperformance Cebu with an alternative property that meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria. The final terms of the Teleperformance Cebu will be negotiated by our Company and APRC on a commercial and arm's length basis. Please see the section entitled "Certain Agreements Relating to our Company and the Properties – Memorandum of Agreement for the Acquisition of Teleperformance Cebu, or an alternative property" in this REIT Plan for additional details on the terms and conditions of the MoA.

We believe that Teleperformance Cebu is particularly attractive to BPOs, such as TPPH-FHCS, Inc., owner of Teleperformance ("**Teleperformance**"), and a leading BPO service provider. APRC is registered as an Ecozone Facilities Enterprise with the PEZA, thereby allowing BPOs to enjoy tax incentives and making Teleperformance Cebu a more attractive leasing opportunity to such businesses. PEZA accreditation enables our tenants to enjoy available fiscal and non-fiscal incentives under this tax regime such as a special tax rate of 5% on gross income, Income Tax Holidays and Exemption from creditable withholding taxes, among others. To achieve PEZA's technical requirements, Teleperformance Cebu feature amenities and technology that cater to the high-speed fiber-optic data telecommunications systems of telecommunications providers. Teleperformance Cebu benefits from clean and uninterrupted power supply with backup generators, and building monitoring and maintenance systems. Prior to the acquisition of Teleperformance Cebu, APRC committed to amend the PEZA registration for Teleperformance Cebu to allow our Company to maintain Teleperformance Cebu's PEZA status.

The building is currently co-managed by Teleperformance and Ayala Property Management Corp., however, we expect that, once we have successfully acquired Teleperformance Cebu, it will be managed by our Property Manager and overseen by our Fund Manager in the same manner as the Properties described above in this REIT Plan. While it is our intention to add Teleperformance Cebu, or an alternative property from our Sponsor, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, as one of our Properties, the closing of the acquisition of the buildings will be subject to customary closing conditions, including the maintenance of its PEZA registration, and there can be no assurance that the closing will occur; however, we believe it is probable that the transaction will occur. Please see "Risk Factors – Risks relating to our Properties – Our Company may be unable to complete its intended acquisition of Teleperformance Cebu, or alternative property" in this REIT Plan.

COMPETITION

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

Our Properties are Grade A office buildings located in Makati City, and we believe that we compete with other commercial property operators, such as Megaworld, Filinvest, Robinsons Land, and SM Investments. The commercial property market in Metro Manila is highly competitive. While we primarily face competition posted by major, existing property operators, we also face threats of new players entering the real estate industry in Metro Manila.

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

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

Solaris One

The table below sets forth some of the competitors of Solaris One, as identified by Colliers, in terms of specifications, location, and classification.

Building	Solaris One	Innoland Altaire	NEX Tower	Insular Life	M1 Tower	Frabelle Corporate Plaza
Address	130 Dela Rosa Street	Malugay Street	6786 Ayala Avenue	6781 Ayala Avenue corner Paseo de Roxas	141 HV Dela Costa Street	Tordesillas corner Bautista St., Salcedo Village
Building grade	A	A	A	A	A	A
Completion date	Completed (2008)	December 2021	March 2019	Completed (Renovated in 2017)	Completed (2018)	Completed (2018)
GLA (in sq.m.)[1]	46,027	58,273	32,310	19,397	8,360	6,404
Net useable area (in sq.m.)	46,027	52,446	28,109	15,905	7,106	5,315
GLA Efficiency	100%	90%	87%	82%	85%	83%
Total floors	24	To be determined	28	14	15	16
Typical floor plate (in sq.m.)	2,800	1,665	1,407	1,623	1,045	757
Density ratio[2]	1:6.5	1:5	1:8 (Lower zone), 1:9 (Higher zone)	1:5.5	1:6	1:6.5
Back-up power	100%	100%	100%	N+1[5]	100%	100%
Rent (sq.m./month) (₱)	1,300	To be determined	1,800	1,300	–	1,000
Basis of rent	GLA	GLA	GLA	GLA	GLA	GLA

Building	Solaris One	Innoland Altaire	NEX Tower	Insular Life	M1 Tower	Frabelle Corporate Plaza
PEZA	Yes	Under process	Under process	Yes	No	No
Certifications (LEED/WELL)[(3)]	None	To be determined	None	None	None	None
Aircon type	Centralized	VRF[(4)]	VRF[(4)]	VRF[(4)]	To be determined	VRF[(4)]
Aircon charges	Sub-metered	Sub-metered	Metered	Sub-metered	Sub-metered	Sub-metered
CUSA (sq.m./month)	393.88	To be determined	200	200	160	180
Occupancy rate/Pre-leasing status	99%[(6)]	11%	68%	100%	100%	100%

Source: Colliers International Research

Notes:

(1) *Based on GLA of office commercial space only.*

(2) *Space in sq.m. allotted per person in the leasable area.*

(3) *Leadership in Energy and Environmental Design ("**LEED**") or WELL Building Standard.*

(4) *Variable Refrigerant Flow ("**VRF**").*

(5) *Means having an effective back-up to the back-up.*

(6) *Based on net useable area.*

All towers in the competitive set are categorized as Grade A. They are mostly located on secondary roads, with the exception of Insular Life Building as well as NEX Tower. The floorplates of the buildings above are small, with no building having more than 2,000 sq.m., unlike Solaris One which has more than 2,500 sq.m. of floorplate.

Only Solaris One has useable space as the basis of rent, while the others use leasable area. Additionally, only Solaris One and Insular Life are currently PEZA-accredited. In terms of rent, Solaris One is at par with Insular Life at ₱1,300 per sq.m. per month, but Solaris One, which uses useable area as its basis of rent, has the most expensive CUSA dues at more than ₱300 per sq.m. per month, while competitors have CUSA dues of only ₱160 to ₱200 per sq.m. per month. Solaris One is also the only building among the set which has a centralized aircon system.

Strengths, Weaknesses, Opportunities, and Threats Analysis

Strengths –

- ***Location***

  Solaris One is located within the Makati CBD, the premier central business district of the country and the preferred location for most of the multinational corporations and largest corporations in the Metro Manila area. With the lack of developable land in Makati and the continued strong market demand for office space, we consider a building's location within the Makati CBD is a major advantage.

- ***PEZA accreditation***

  Solaris One is PEZA-accredited. Due to the difficulty in securing PEZA accreditation, the moratorium on PEZA-accreditation issued by the Office of the President for Metro Manila and Metro Cebu, and the corresponding lack of buildings in Metro Manila with such accreditation, we believe such accreditation provides an advantage for those buildings that have secured it. PEZA accreditation is particularly important for buildings which target the BPO industry. Before the moratorium, application for accreditation with PEZA usually takes at least eighteen (18) months from the time of application.

- ***Sizeable floorplate***

  The typical floorplate of Solaris One is more than the minimum requirement for BPO Offices but is not so big as to preclude flexibility. Solaris One's typical floorplate can be divided into quadrants for smaller locators.

- ***High efficiency within the units***

  Because Solaris One's rental rate is based on the useable, carpetable area rather than the purely leasable area, the building's GLA Efficiency is high at 100%. As a result, its resulting rental charges are cheaper as compared to competitors, as our tenants do not pay for common areas which are not useable.

- ***Brand and track record***

  Solaris One is owned and developed by our Company with the support of the Group. As a result of the building's association with the Ayala Land brand and Ayala Land's successful track record, we believe that tenants and potential tenants have confidence that Solaris One is a quality building and are thus more likely to lease space there.

- ***Well maintained and professionally managed***

  Solaris One started operations in December 2008. Since that time is has been professionally managed, so the building has been well-kept and well-maintained. We believe that these efforts have and will continue to keep Solaris One attractive to current and potential tenants.

- ***Retail component – food options for the tenants***

  Solaris One contains a retail component, which offers food options as well as services and convenience stores for both the building's tenants and for the tenants of neighboring buildings.

- ***Good Anchor Locators***

  Solaris One, because of the compatibility of its technical specifications to the BPO industry, has secured quality anchor tenants, such as the shared services of Shell Shared Services (Asia) B.V. – Philippine Branch, ANZ Global Services and Operations (Manila), Inc., and Institutional Shareholders Services Inc.

Weaknesses –

- ***Visibility***

  Because it is located along Dela Rosa Avenue, Solaris One's visibility from Ayala Avenue, the main thoroughfare of Makati CBD, is negligible. It is visible from Dela Rosa Avenue, but Dela Rosa Avenue is smaller and has less traffic than Ayala Avenue.

- ***Accessibility***

  Solaris One has no direct access to Ayala Avenue and therefore no direct access to the bus stops located on Ayala Avenue. At the moment, with the ongoing construction of the *Alveo Financial Tower*, the empty lot which previously provided a shortcut to Ayala Avenue has been closed off, so people traveling to and from Ayala Avenue, must walk around the block. Similarly, the drop-off location for Solaris One is a one-way access road to the side of Dela Rosa Avenue that can accommodate one vehicle at a time.

- ***Connection to the walkway***

  Unlike some of the buildings along Dela Rosa Avenue, Solaris One is not directly connected to the skywalk. Recently, however, stairs have been installed nearby, just in front of the Kroma Towers, around a hundred meters away.

- ***Low glass ratio***

  Due to the building's age, the windows are smaller than newer buildings with high glass ratio, with a slightly lower amount of natural light coming into the offices. With the move towards the green initiatives and wellness among employees, the amount of natural light coming into the office becomes more and more important. Because of this, some tenants prefer higher glass ratio while some are still okay with a lower glass ratio.

- ***Above market CUSA fees, Air Conditioning charges, and Parking Fee***

  While Solaris One's rental charges appear cheaper because of the basis of rent (as described above), Solaris One charges one of the more expensive CUSA fees at ₱393.88 per sq.m. per month, while competitors, according to Colliers, charge around ₱160 to ₱220 per sq.m. per month. Additional aircon capital expenditures charges are also in place at ₱196.28, and parking rent of ₱7,960 per slot. While competitors also charge for parking rentals, these would range from ₱4,500 to ₱6,500 per slot.

- ***Centralized air conditioning***

  Solaris One's current aircon system is centralized, and, while usage is sub-metered, in our experience BPO tenants generally prefer VRF aircon systems.

Opportunities –

- ***Low vacancy in the Makati CBD***

  According to Colliers, the Makati CBD vacancy rate has been below 5% since 2011, which indicates continued strong demand, even with the limited new supply added recently. Grade A buildings, such as Solaris One, have, according to Colliers, an average vacancy rate of 2%.

- ***New industries are entering the market and are looking for office spaces***

  New industries such as flexible workspaces and FinTech (financial technology) companies have begun to enter the property market alongside the more numerous BPO and corporate entities. According to Colliers, these new players have leased significant spaces in different buildings, ranging from space in Premium Grade to Grade B buildings.

- ***Low PEZA availability in Makati***

  Because of the Government's drive to push offices to open outside of Metro Manila, few PEZA accreditations have been granted to buildings in the Makati CBD or in Metro Manila generally, as in fact the Office of the President earlier issued a moratorium on PEZA accreditations for Metro Manila and Metro Cebu. We believe that Solaris One, being PEZA-accredited, remains a sought-after building, as in our experience most BPO companies, as well as some multinational corporations prefer to be located in PEZA-accredited buildings. Before the moratorium, application for accreditation with PEZA usually takes at least eighteen (18) months from the time of application.

Threats –

- ***Newer buildings, cheaper options***

  As new lots are redeveloped and built as either office or residential buildings, the amount of competition increases. These newer buildings may pose a threat, to the extent that they boast more modern technology, ambience, and aesthetics.

- ***Evolving tenant requirements***

  Because Solaris One was completed in 2008, certain new trends such as LEED certification and improved technologies and infrastructure, are not in place in the building. In our experience, many multinational corporations now require these items in their leased office spaces.

- ***Work-from-home***

  With Republic Act No. 11165, otherwise known as the "Telecommuting Act,"signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might experience some slowdown, as workers can now work from home. Accordingly, the number of seats in a physical office may be lessened, or simply maintained, even as companies expand their operations. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

Ayala North Exchange

The table below illustrates the competitors for the Ayala North Exchange, as identified by Colliers. Two of Ayala North Exchange's competitors are also still under construction. These buildings have similarities in character, either because of their location, technical specifications, or positioning in the market.

Building	**Ayala North Exchange HQ**	**Ayala North Exchange BPO**	**One Ayala Tower 1**	**GT Tower**
Address	Ayala Avenue cor. Salcedo and Amorsolo	Ayala Avenue cor. Salcedo and Amorsolo	Ayala Avenue corner EDSA	Ayala Avenue corner H.V. Dela Costa Street
Building grade	A	A	A	A
Completion date	Completed (2018)	Completed (2019)	Dec-21	Completed (2001)
GLA (in sq.m.)(1)	21,368	40,356	32,416	34,880
Net useable area	21.368	40,356	32,416	30,694
GLA Efficiency	100%	100%	95%	88%

Building	Ayala North Exchange HQ	Ayala North Exchange BPO	One Ayala Tower 1	GT Tower
Total floors	12	20 BPO floors plus 1 Ground Floor lobby	22	43
Typical floor plate (in sq.m.)	1,500	1,800	2,600	1,247
Density ratio(2)	1:7	1:5	1:5	1:5.5
Back-up power	N+1(5)	100%	100%	To be determined
Rent (sq.m./month) (₱)	1,500	1,500	1,300	1,400
Basis of rent	GLA	GLA	GLA	GLA
PEZA	Yes	Yes	Yes	Yes
Certifications (LEED/WELL)(3)	Under process	Under process	None	None
Aircon type	Centralized	Centralized	VRF(4)	Centralized
Aircon charges	Sub-metered	Sub-metered	Sub-metered	Sub-metered, Saturdays: ₱1,900 per hour per tenant
CUSA (sq.m./month)	206	206	185	200
Occupancy rate/Pre-leasing status	100%(6)	100%	47%	89%

Source: Colliers International Research

Notes:

(1) Based on GLA of office space only.

(2) Space in sq.m. allotted per person in the leasable area.

*(3) Leadership in Energy and Environmental Design ("**LEED**") or WELL Building Standard.*

*(4) Variable Refrigerant Flow ("**VRF**").*

(5) Means having an effective back-up to the back-up.

(6) Based on net useable area

Among the buildings identified above, *GT Tower* is Grade A, and *One Ayala Tower 1*, while still under construction, is also Grade A. Ayala North Exchange is considered a Grade A building. The Grade A classification was determined based on industry criteria and subject to comparison with other similar developments. All comparable buildings have Gross Leasable Areas of more than 30,000 sq.m. of office space, while the Ayala North Exchange HQ Office space is slightly smaller, having a little more than 20,000 sq.m.

Among the completed buildings, *GT Tower* has the smallest floorplate, with only a little more than 1,250 sq.m. *One Ayala Tower 1* has the biggest floor plate at 2,600 sq.m.. The two towers of Ayala North Exchange are within the 1,500 to 2,600 sq.m. range.

With regards to back-up power, only *Ayala North Exchange HQ* has an N+1 capability, something BPO tenants prefer in their buildings. *Ayala North Exchange HQ and BPO* are also the only buildings with on-going LEED applications.

All buildings, as well as Ayala North Exchange, are PEZA-accredited, a major plus for any building in Metro Manila, given the limited PEZA accreditations currently being released by the Government.

Ayala North Exchange's base rents are higher than comparable Grade A buildings, with its base rent of ₱1,500 per sq.m. per month. Ayala North Exchange's CUSA charges of ₱206 per sq.m. per month are also slightly higher compared to comparable Grade A buildings in the set.

Strengths, Weaknesses, Opportunities, and Threats Analysis

Strengths –

- ***Location***

  Ayala North Exchange is located within the Makati CBD, the premier central business district of the country and the preferred location for most of the multinational and largest corporations in the Metro Manila area. With the lack of developable land in Makati and the continued strong market demand for office space, we believe that a building's location within the Makati CBD is a major advantage. In addition, Ayala North Exchange is positioned along Ayala Avenue, the major thoroughfare of the Makati CBD, and the most prestigious address for any building within the CBD.

- ***PEZA accreditation***

  Both towers of Ayala North Exchange are PEZA-accredited. Due to the difficulty in securing PEZA accreditation, and the Office of the President's moratorium on PEZA accreditations for Metro Manila and Metro Cebu and the corresponding lack of buildings in Metro Manila with such accreditation, we believe that such accreditation provides an advantage for those buildings that have secured it. PEZA accreditation is particularly important for buildings which target the BPO industry. Before the moratorium, application for accreditation with PEZA usually takes at least eighteen (18) months from the time of application.

- ***Floorplate within the standards for BPO companies***

  The floorplate of the Ayala North's BPO Office space is at around 2,000 sq.m., which is the minimum required floorplate for most BPO companies.

- ***Visibility***

  Due to its location along Ayala Avenue, Ayala North Exchange has superior visibility. Ayala North Exchange also covers the whole block, with adjacent buildings appearing small in terms of number of floors. We believe that the combination of its location and size give Ayala North Exchange a significant visibility advantage.

- ***Accessibility***

  Ayala North Exchange has direct access to Ayala Avenue, with its drop off directly facing the major thoroughfare. Because it occupies the whole block, the building has three streets which serve as access points. Bus loading and unloading stations are located nearby as well.

- ***Connection to the walkway***

  While Ayala North Exchange is more than a kilometer away from Glorietta, it is connected to the skyway along Dela Rosa Avenue. This connection facilitates access for people travelling to and from Ayala North Exchange, even during bad weather.

- ***High efficiency within the units***

  Because Ayala North Exchange's rental rate is based on the useable, carpetable area rather than the purely leasable area, Ayala North Exchange's efficiency for both buildings is at 100%, and its resulting rental charges are cheaper, as our tenants do not pay for common areas which are not useable.

- ***Location next to a hospital***

  Located a few meters away from the *Makati Medical Center* and connected via the skywalk, Ayala North Exchange will become the first integrated development within the CBD. We believe that the hospital also gives our tenants a sense of security, should an emergency happen, given their close proximity to the hospital.

- ***Brand and track record***

  Ayala North Exchange is owned and developed by the Company with the support of the Group. As a result of the building's association with the Ayala Land brand and Ayala Land's successful track record, we believe that tenants and potential tenants have confidence that Ayala North Exchange is a quality building and are thus more likely to lease space there.

- ***Open spaces***

  As part of the integrated development, Ayala North Exchange has some civic and open space gardens allotted in the podium of their towers. According to Colliers, Ayala North Exchange is one of the few buildings in the area to have this specification.

- ***Captive retail area***

  Being on the border of the Makati CBD, Ayala North Exchange is more than a kilometer away from Glorietta and Greenbelt. Ayala Land, however, has its own sizeable retail podium that provides both the building's tenants and the tenants of neighboring buildings an option for food and services. It can also be an alternative retail location from Greenbelt and Glorietta for the nearby buildings.

Weaknesses –

- ***Centralized air conditioning system***

  Ayala North Exchange's current air conditioning system is centralized, and, while usage is sub-metered, in our experience BPO tenants generally prefer VRF air conditioning systems.

Opportunities –

- ***Limited Number of hotel rooms within the Makati CBD***

  With the closure of the *Mandarin Oriental* and the *Intercontinental Hotel Manila* a few years ago, the number of hotel rooms within the Makati CBD is relatively limited, with only the *Makati Shangri-La*, *Raffles Makati*, *Fairmont Makati*, *New World Hotel*, *Peninsula Manila*, *Holiday Inn and Suites Makati*, and *Discovery Primea* serving the demand for premium hotel space. We believe that adding 293 Seda Residences Makati-branded serviced apartments within Ayala North Exchange will increase the general appeal of and foot traffic for the building, as the hotels mentioned above are located on the other side of the CBD. According to Colliers, occupancy levels of the hotels in the Makati CBD are very high, due both to the high demand from the businessmen and the limited supply.

- ***Low vacancy in the Makati CBD***

  According to Colliers, the Makati CBD vacancy rate has been below 5% since 2011, which indicates continued strong demand, even with the limited new supply added recently. Grade A buildings, such as Ayala North Exchange, have an average vacancy rate of 2%.

- ***Low PEZA Availability in Makati***

  Because of the Government's drive to push offices to open outside of Metro Manila, few PEZA accreditations have been granted to buildings in the Makati CBD or in Metro Manila generally, as in fact the Office of the President earlier issued a moratorium in PEZA accreditations for Metro Manila and Metro Cebu. We believe that Ayala North Exchange, being PEZA-accredited, remains a sought-after building, as in our experience most BPO companies, as well as some multinational corporations prefer to be located in PEZA-accredited buildings. Before the moratorium, application for accreditation with PEZA usually takes at least eighteen (18) months from the time of application.

- ***New industries are entering the market and are looking for office spaces***

  New industries such as flexible workspaces and FinTech (financial technology) companies have begun to enter the property market alongside the more numerous BPO and corporate entities. According to Colliers, these new players have leased significant spaces in different buildings, ranging from space in Premium Grade to Grade B buildings.

- ***Location near the proposed Makati Subway station***

  Ayala North Exchange is located within a few hundred meters from one of the stations of the proposed Makati Subway Station – Makati Fire Station. We believe that this would further increase accessibility and add transportation options to the employees of and visitors to the building.

Threats –

- ***Other new buildings in the Makati CBD***

  As new lots are redeveloped and built as either office or residential buildings, the amount of competition increases. While we believe that Ayala North Exchange is superior in terms of location, branding, and accessibility, it has to still be competitive in terms of technical specifications, and other soft services especially with tenants becoming more demanding with regards to their desired office space.

- ***Fort Bonifacio, Makati Fringe, and all other CBDs***

  Development of other CBDs is also a threat, as these have been trying to replace Makati CBD as the premier CBD. According to Colliers, Fort Bonifacio, which has a significant number of new, modern buildings, has gained traction, with some multinational corporations consolidating their offices in new buildings there. Competitive rates, good handover conditions, and improved technology and efficiency prompted some of those moves. Ayala North Exchange is also located near the Makati Fringe area. According to Colliers, buildings in the Makati Fringe have also improved in terms of design and finishes.

- ***Work-from-home***

  With Republic Act No. 11165, otherwise known as the "Telecommuting Act,"signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might experience some slowdown, as workers can now work from home. Accordingly, the number of seats in a physical office may be lessened, or simply maintained, even as companies expand their operations. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

McKinley Exchange

The table below illustrates the competitors for McKinley Exchange, as identified by Colliers, in terms of specifications, location, and classification.

Building	**McKinley Exchange**	**Blakes Tower**	**Century Spire**	**Multinational Bancorporation Tower**	**6750 Ayala Avenue**
Address	EDSA corner McKinley Road, Makati City	Cor. Chino Roces Ave., Yakal & Malugay	Kalayaan Avenue	6805 Ayala Avenue	6750 Ayala Avenue, Ayala Center
Building grade	A	A	A	A	A
Completion date	Completed (2014)	1Q 2020	4Q 2019	Completed (1996)	Completed (1993)
GLA (in sq.m.)[(1)]	9,633	12,496	14,757	18,238	29,844
Net useable area	9,633	11,246	To be determined	To be determined	29,844
GLA Efficiency	100%	90%	To be determined	No data available	100%
Total floors	5	36	22	23	24
Typical floor plate (in sq.m.)	2,800	1,136	777	859	1,978
Density ratio[(2)]	1:5	1:5	To be determined	1:5	1:9
Back-up power	100%	100%	100%	100%	100%
Rent (sq.m./month) (₱)	1,300	1,200	To be determined	1,000	1,300
Basis of rent	GLA	GLA	GLA	GLA	GLA
PEZA	Yes	Under process	Yes	Yes	Yes
Certifications (LEED/WELL)[(3)]	None	None	None	None	None
Aircon type	Centralized	VRF	VRF	Centralized	Centralized
Aircon charges	Sub-metered	Sub-metered	Sub-metered	Sub-metered	Sub-metered
CUSA (sq.m./month)	193.26	120	To be determined	150	134.93
Occupancy rate/Pre-leasing status	100%[(4)]	0%	For Sale	95%	95%

Source: Colliers International Research

Notes:

(1) Based on GLA of office commercial space only.

(2) Space in sq.m. allotted per person in the leasable area.

*(3) Leadership in Energy and Environmental Design (“**LEED**”) or WELL Building Standard.*

(4) Based on net useable area.

McKinley Exchange Corporate Center is a grade A building built to suit the needs of the outsourcing industry. The Grade A classification was determined based on industry criteria and subject to comparison with other similar developments. Among the comparable set, it is the smallest, having a total leasable area of a little less than 10,000 sq.m., and in terms of floor plate at 2,500 sq.m., a size just right for the BPO tenants.

It is PEZA-accredited, along with the other BPO buildings, and has a 100% occupancy rate, the highest among the five buildings. Its finishes, technical specifications and experience are all at par with Ayala Land buildings, which makes it a nice Grade A building with an affordable rent at ₱1,300. CUSA dues is slightly higher at ₱193 per sq.m. compared to the other buildings in the comparable set.

Strengths, Weaknesses, Opportunities, and Threats Analysis

Strengths –

- ***Location***

  McKinley Exchange is located within the Makati CBD, the premier central business district of the country and the preferred location for most of the multinational and largest corporations in the Metro Manila area. More specifically, it is located at the corner of McKinley Road and EDSA, and has a transport hub, increasing foot traffic near the building and making it more accessible to the commuting public. With the lack of developable land in Makati and the continued strong market demand for office space, we believe that a building's location within the Makati CBD is a major advantage.

- ***Accessibility***

  McKinley Exchange is along EDSA, which gives employees direct access to one of the major thoroughfares in Metro Manila. Bus loading and unloading stations are less than 100 meters away, as well as the MRT-3. The station of buses going into BGC is also within a few meters walk, further increasing access to the building.

- ***Visibility***

  Due to its location along EDSA and McKinley Road, McKinley Exchange has superior visibility, compared to the other buildings. It being a corner lot and has a gas station across the street makes it even more visible to all those who ply along EDSA and McKinley Road.

- ***PEZA accreditation***

  McKinley Exchange is PEZA-accredited. Due to the difficulty in securing PEZA accreditation, the Office of the President's moratorium on PEZA accreditations for Metro Manila and Metro Cebu, and the corresponding lack of buildings in Metro Manila with such accreditation, we believe that such accreditation provides an advantage for those buildings that have secured it. PEZA accreditation is particularly important for buildings which target the BPO industry. Before the moratorium, application for accreditation with PEZA usually takes at least eighteen (18) months from the time of application.

- ***Sizeable floorplate***

  The floorplate of the McKinley Exchange is at around 2,500 sq.m., which is more than the minimum requirement of BPOs.

- ***Brand and track record***

  McKinley Exchange is owned and developed by Ayala Land, Inc. As a result of the building's association with the Ayala Land brand and Ayala Land's successful track record, we believe that tenants and potential tenants would have confidence that McKinley Exchange is a quality building, well-operated and well-maintained, and thus would be more likely to lease space there.

Weaknesses –

- ***Centralized Air Conditioning System***

  The building's current air conditioning system is centralized, and while usage is sub-metered, BPO tenants still prefer VRF as their air conditioning systems.

- ***Location as Makati Fringe***

  The building is located on the other side of EDSA, going into Bonifacio Global City. It is separated from the Makati CBD, but its address is still Makati. While BPO companies do not put as much weight as being in the CBD as traditional and multinational companies, rents of buildings located in the fringe are at a considerable discount compared to those within, or just beside the CBDs. McKinley Exchange is in between two CBDs – Makati and Fort Bonifacio.

- ***Small windows***

  Since the building was completed in 2015, when the glass ratio was not a major concern in the property market, the building's windows are relatively small, with less natural light coming into the offices. With the recent property industry move towards green initiatives and wellness among employees, we believe that the property market has recently come to value the amount of natural light entering a building's office spaces. However, some tenants still prefer lower glass ratio to reduce aircon consumption.

- ***Above market CUSA charges***

  While rental charges appear cheaper because of the basis of rent, according to Colliers, McKinley Exchange has higher CUSA dues as compared to its competitors. At ₱193 per sq.m., it charges near that of traditional buildings within the Makati CBD.

Opportunities –

- ***Low PEZA Availability in Makati***

  Because of the Government's drive to push offices to open outside of Metro Manila, and the Office of the President's moratorium on PEZA accreditations for Metro Manila and Metro Cebu, few PEZA accreditations have been granted to buildings in the Makati CBD or in Metro Manila generally. We believe that McKinley Exchange, being PEZA-accredited, remains a sought-after building, as in our experience most BPO companies, as well as some multinational corporations prefer to be located in PEZA-accredited buildings. Before the moratorium, application for accreditation with PEZA usually takes at least eighteen (18) months from the time of application.

- ***New industries are entering the market and are looking for office spaces***

  New industries such as flexible workspaces and FinTech (financial technology) companies have begun to enter the property market alongside the more numerous BPO and corporate entities. According to Colliers, these new players have leased significant spaces in different buildings, ranging from space in Premium Grade to Grade B buildings.

Threats –

- ***Other new buildings in the Makati CBD***

  As new lots are redeveloped and built as either office or residential buildings, the amount of competition increases. While we believe that McKinley Exchange is superior in terms of location, branding, and accessibility, it has to still be competitive in terms of technical specifications, and other soft services especially with tenants becoming more demanding with regards to their desired office space.

- ***Work-from-home***

  With Republic Act No. 11165, otherwise known as the "Telecommuting Act,"signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might experience some slowdown, as workers can now work from home. Accordingly, the number of seats in a physical office may be lessened, or simply maintained, even as companies expand their operations.

Teleperformance Cebu

Our Company intends to acquire Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, after the Listing Date, using the net proceeds from the Primary Offer.

Teleperformance Cebu have multiple competitors that are comparable to it, in terms of specifications, location, and classification. For more information on the Cebu market, see "Industry – Overview of Cebu Province".

TENANCY AGREEMENTS AND LEASE MANAGEMENT

The tenancy agreements entered into for each of the Properties are largely based on standard form agreements which contain terms and conditions commonly found in commercial tenancy agreements in the Philippines. In some of the major tenants' tenancy agreements, changes to the standard form agreements have been made to permit the tenants flexibility in subletting or assigning the tenancy or to fix the minimum and maximum limits on rent in the event of renewal of the tenancies or, for certain tenants, a right of first refusal to lease any other office space that becomes available within the Properties.

Tenants in Metro Manila typically pay a security deposit equal to three months' base rent and pay rent for the first three months in advance, upon handover of the physical possession of the leased premises or signing of the lease agreement, whichever comes first. Security deposits are generally unsecured and do not bear interest. Tenants generally pay monthly rent as well as a monthly service charge for the maintenance of the building and the upkeep of common areas. The majority of our leases match these models, but with quarterly payments of rent, a security deposit equal to three months' base rent, and payment of the first three months rental in advance.

Our lease rates are based on our market studies of the property landscape and rental prices in Makati City and surrounding areas, and we typically specify an average annual fixed rental escalation rate of 5% per annum, which we believe is in line with industry standards. With respect to lease renewals, most lease agreements provide that the rental rate for the initial year of the renewal term will be the fair market value, but in no instance shall the rent for the initial year of the renewal term be 10% lower or higher than the rental rate for year of the preceding lease term.

Pursuant to our lease agreements, our tenants take physical possession of the leased premises on or before a particular date specified in the contract. It is common practice for tenants at each of the Properties to occupy their premises after they have signed their lease contract but before the formal term of the lease period has commenced so the tenants can do fit-out to the leased premises.

In addition, our Property Manager has the right to terminate leases upon the occurrence of certain events, such as non-payment of rent or breach of covenants by the tenants.

INSURANCE

Our Company has insurance for the Properties that our Fund Manager believes is consistent with industry practice in the Philippines. This includes property all risk insurance, business interruption policies, and property damage coverage. There are no significant or unusual excess or deductible amounts required under such policies. There are, however, certain types of risks that are not covered by such insurance policies, including losses resulting from wars, acts of terrorism or related activities.

EMPLOYEES

The executive officers of our Company will be seconded from other companies in our Group. We believe that our Company, our Property Manager, and our Fund Manager are in compliance with all minimum compensation and benefit standards, as well as applicable labor and employment regulations.

INTELLECTUAL PROPERTY

As of the date of this REIT Plan, our Company has obtained the following trademarks:

Design mark/ logo	Serial Number of Application	Registration No.	Trademark/ Intellectual Property	Status	Date of application	Expiration Date
ALRI	42019007829	7829	ALRI	Registered September 5, 2019	May 14, 2019	September 5, 2029
AREIT, Inc.	42019007831	7831	AREIT, Inc.	Registered September 5, 2019	May 14, 2019	September 5, 2029
AREIT	42019007828	7828	AREIT	Registered September 5, 2019	May 14, 2019	September 5, 2029
	42019007830	7830	Pantone 3425 (Green) and Cool Gray 9 (Gray)	Registered September 5, 2019	May 14, 2019	September 5, 2029

We are also the owner of one domain name: www.areit.com.ph.

REGULATORY COMPLIANCE

Our Property Manager is responsible for ensuring our continued compliance with applicable laws and regulations, including any changes or updates that may materially impact or adversely affect our operations and business. As of the date of the REIT Plan, our Company had obtained, or is in the process of renewing, all governmental approvals, permits and licenses issued by the appropriate Government agencies or authorities, which are necessary to conduct our business and operations. As of date of this REIT Plan, the Company has applied and paid the necessary fees for the issuance of material licenses, permits, and certifications. The Company is awaiting issuance of the permits from the appropriate government agencies.

Our material licenses, permits, and certifications are as follows:

General Licenses, Permits, and Certifications

Issuing agency	Permit/License/ Certification	Issued to	Date issued	Date of expiration
SEC	Certificate of Registration No. CS200613870	One Dela Rosa Property Development Inc.	September 4, 2006	N/A
SEC	Certificate of Approval of Increase of Capital Stock (Amended AOI and By-Laws)	One Dela Rosa Property Development Inc.	December 13, 2018	N/A
SEC	Certificate of Filing of Amended Articles of Incorporation SEC Registration No. CS200613870	One Dela Rosa Property Development Inc.	April 12, 2019	N/A
Bureau of Internal Revenue – Regional Division Office	Certificate of Registration	One Dela Rosa Property Development Inc.	September 4, 2006	N/A
Bureau of Internal Revenue	Permit to use Computerized Accounting System No. 050-CAS-030107-000327	One Dela Rosa Property Development Inc.	2007	N/A
National Privacy Commission	Data Privacy Act Registration No. PIC-000-703-2019	One Dela Rosa Property Development Inc.	March 8, 2020	N/A
PEZA	Certificate of Registration No. EZ 08-33 as developer/ operator of Solaris One	One Dela Rosa Property Development Inc.	June 16, 2009	N/A
PEZA	Certificate of Registration No. EZ 08-33 as developer/ operator of Dela Rosa E-Services Building	One Dela Rosa Property Development Inc.	August 21, 2008	N/A
PEZA	Certificate of Registration No. EZ 18-09 as developer/ operator of Ayala North Exchange	Ayala Land, Inc.	March 19, 2018	N/A
PEZA	Certificate of Registration No. EZ 14-33 as developer/ operator of McKinley Exchange	Ayala Land, Inc.	November 10, 2014	N/A

General Licenses, Permits, and Certifications

Issuing agency	Permit/License/ Certification	Issued to	Date issued	Date of expiration
City of Makati (Business Permits Office)	Business Permit No. 14890	AREIT, Inc.	January 29, 2020	December 31, 2020
DENR Environmental Management Bureau ("EMB") – NCR	Permit to Operate (Air Pollution Source Installations)	AREIT, Inc.	Ongoing application	

Licenses, Permits, and Certifications relating to Solaris One

Issuing agency	Permit/License/ Certification	Issued to	Date issued	Date of expiration
City of Makati	Building Permit No. 006-07-0785	Ayala Land, Inc.	July 2, 2007	N/A
Barangay San Lorenzo	Barangay Clearance No. 102720034235	AREIT, Inc.	January 17, 2020	December 31, 2020
Barangay San Lorenzo	Barangay Clearance Plate No. 19-1244	AREIT, Inc.	January 16, 2020	December 31, 2020
City of Makati	Sanitary Permit No. 105213	AREIT, Inc.	January 28, 2020	December 31, 2020
Office of the Building Official of the City of Makati	Certificate of Electrical Inspection No. 08-03458	Ayala Land, Inc.	December 10, 2008	N/A
Office of the Building Official of the City of Makati	Certificate of Operation of Elevator of 8 Units OTIS LOW RISE Passenger Elevator Nos. 1 to 8	Solaris One	Ongoing application	
Office of the Building Official of the City of Makati	Certificate of Operation of Elevator of 8 Units OTIS LOW RISE Passenger Elevator Nos. 9 to 16	Solaris One	Ongoing application	
Office of the Building Official of the City of Makati	Certificate of Operation of Elevator of 1 Unit of OTIS-STIGMA Service Elevator	Solaris One	Ongoing application	

Licenses, Permits, and Certifications relating to Solaris One

Issuing agency	Permit/License/ Certification	Issued to	Date issued	Date of expiration
Office of the Building Official of the City of Makati	Certificate of Operation of Machinery for package water chiller, pressurization fan, exhaust fans and toilet exhaust fan	Solaris One	Ongoing application	
Office of the Building Official of the City of Makati	Certificate of Operation of Internal Combustion Engine	Solaris One	Ongoing application	
Office of the Building Official of the City of Makati	Certificate of Operation of Machinery for fire pump, jockey pump, sprinkler heads, transfer pump, booster pump, fuel oil pump, pressure tank and motorized gondola	Solaris One	Ongoing application	
Office of the Building Official of the City of Makati	Certificate of Operation of Escalator of 1 Unit OTIS Escalator	Solaris One	Ongoing application	
Office of the Building Official of the City of Makati	Certificate of Operation of Elevator of 2 Units OTIS-GEN2 Parking Lift Nos. 1 and 2	Solaris One	Ongoing application	
Bureau of Fire Protection ("BFP")	Fire Safety Inspection Certificate ("FSIC") No. OCFM FS2-08-2463005	Solaris One	November 20, 2008	N/A
Bureau of Fire Protection ("BFP")	Fire Safety Clearance SFCL No. R16-MkCFS-217	Solaris One	April 2, 2019	N/A
DENR – EMB	Certificate of Exemption from Wastewater Discharge Permit No. 12-018 (MWCI)	Solaris One	January 28, 2014	N/A

Licenses, Permits, and Certifications relating to Solaris One

Issuing agency	Permit/License/ Certification	Issued to	Date issued	Date of expiration
DENR – EMB	Environmental Compliance Certification ("ECC") No. ECC-NCR-2007-05-07-040-220	Ayala Land, Inc. (E-Services 3 Dela Rosa Building Project)	May 7, 2007	N/A
DENR – EMB	Hazardous Waste Generator Registration Certificate No. GR-NCR-76-00421	Ayala Land, Inc. (Solaris One)	March 1, 2017	N/A
DENR – EMB	Hazardous Waste Generator Registration DENR ID No. GR-13-76-0986	One Dela Rosa Property Development, Inc. (E-Services 3)	June 27, 2011	N/A
DENR – EMB	Permit to Operate Air Pollution Source Installations	AREIT, Inc.	Ongoing application	
DENR – EMB	Certificate of Accreditation of Pollution Control Officer No. 2019-NCR-099-MK	Ruth K. Adao	July 18, 2019	July 18, 2022
Department of Public Works and Highways ("DPWH")	Occupancy Permit	Ayala Land, Inc. (E-Services 3 Tower 1)	December 11, 2008	N/A

Licenses, Permits, and Certifications relating to Ayala North Exchange

Issuing Agency	Permit/License/ Certification	Issued To	Date Issued	Date of Expiration
Office of the Building Official of the City of Makati	Building Permit No. C08-15-1211	Ayala Land, Inc. (City Gate)	August 28, 2015	N/A
City of Makati	Business Permit No. 05571	AREIT, Inc.	January 29, 2020	December 31, 2020
Barangay San Lorenzo, City of Makati	Barangay Clearance – Ayala North Exchange No. 102720033747	AREIT, Inc.	January 16, 2020	December 31, 2020
Barangay San Lorenzo	Barangay Clearance Plate No. 19-1244	AREIT, Inc.	January 16, 2020	December 31, 2020

Licenses, Permits, and Certifications relating to Ayala North Exchange

Issuing Agency	Permit/License/ Certification	Issued To	Date Issued	Date of Expiration
Office of the Building Official of the City of Makati	Certificate of Electrical Inspection No. EOC-03-18-1362-1365	Ayala Land, Inc. (City Gate)	March 15, 2018	N/A
Office of the Building Official of the City of Makati	Certificate of Occupancy No. OP-03-18-0303	Ayala Land, Inc. (City Gate)	March 15, 2018	N/A
City of Makati	Sanitary Permit No. 117670	AREIT, Inc.	January 29, 2020	December 31, 2020
Office of the Building Official of the City of Makati	Certificate of Operation of Internal Combustion Engine	Ayala Land, Inc. (City Gate)	Ongoing application	
Office of the Building Official of the City of Makati	Certificate of Operation: Elevator of 1 Unit of Mitsubishi Passenger Elevator (PE-1)	Ayala Land, Inc. (City Gate Tower II)	Ongoing application	
Office of the Building Official of the City of Makati	Certificate of Operation: Elevator of 2 Units of Mitsubishi Car Park Elevator (CE1-2)	Ayala Land, Inc. (City Gate Car Park)	Ongoing application	
Office of the Building Official of the City of Makati	Certificate of Operation: Elevator of 6 Units of 1020 KW, 3 Units of 1270 KW and 2 Units of 1545 KW Generator Sets	Ayala Land, Inc. (City Gate)	Ongoing application	
BFP	Fire Safety Clearance (Storage for Flammable and Combustible Liquids "SPCL") SFCL No. R-16-MkCFS-01904	Alveo Land, Inc. (City Gate)	December 19, 2017	N/A
BFP	Fire Safety Inspection Certificate (For Occupancy Permit) No. 16-MkCFS-017902	Ayala Land, Inc. (City Gate Tower I)	November 20, 2017	N/A

Licenses, Permits, and Certifications relating to Ayala North Exchange

Issuing Agency	Permit/License/ Certification	Issued To	Date Issued	Date of Expiration
Office of the Building Official – Makati City	Sanitary and Plumbing Permit No. CS-15-07-00577	Ayala Land, Inc.	August 28, 2015	N/A
Office of the Building Official – Makati City	Mechanical Permit No. 1507-844	Ayala Land, Inc.	August 28, 2015	N/A
DENR – EMB	ECC No. ECC-NCR-1404-0154	Ayala Land, Inc. (Makati North Gateway)	May 13, 2014	N/A
DENR – EMB	Permit to Operate Air Pollution Source Installations No. 14-POA-J-137602-260	Ayala Land, Inc.	Ongoing application	
DENR – EMB	Certificate of Accreditation of Pollution Control Officer No. 2017-NCR-0149	Faustino B. Ravago	July 14, 2017	July 14, 2020
DENR – EMB	Hazardous Waste Generator Registration Certificate No. GR-NCR-76-01042	Ayala Land, Inc. (City Gate)	October 11, 2017	N/A
DPWH	Occupancy Permit	Ayala Land, Inc.	March 15, 2018	N/A

Licenses, Permits, and Certifications relating to McKinley Exchange

Issuing Agency	Permit/License/ Certification	Issued To	Date Issued	Date of Expiration
Barangay Dasmarinas	Barangay Clearance 2019-10-101	McKinley Exchange Corporate Center	October 16, 2019	N/A
Office of The Building Official City of Makati	Building Permit C07-13-1248	Ayala Land, Inc.	August 06, 2013	N/A
Office of City of Makati	Business Permit No. 24965	Ayala Land, Inc.	January 21, 2020	December 31, 2020
Department of Environment and Natural Resources	Certificate of Exemption CE No. 16-069	McKinley Exchange Corporate Center	August 08, 2016	N/A
Department of Public Works and Highways Office of the Building Official City of Makati	Certificate of Occupancy OP-10-14-1297	Ayala Land, Inc.	November 05, 2014	N/A

Licenses, Permits, and Certifications relating to McKinley Exchange

Issuing Agency	Permit/License/ Certification	Issued To	Date Issued	Date of Expiration
Energy Regulatory Commission	Certificate of Compliance COC No. 17-05-S-02687L	Ayala Land, Inc.	May 11, 2017	May 10, 2022
Bureau of Fire Protection	Fire Safety Seminar and Drill Certificate Control No. FSD-19-05-118	McKinley Exchange Corporate Center	May 7, 2019	N/A
Bureau of Fire Protection	Fire Safety Clearance (Storage for Flammable and Combustible Liquids) SFCL No. R16 16-MkCFS-511	McKinley Exchange Corporate Center	January 29, 2020	N/A
Bureau of Fire Protection	Fire Safety Inspection Certificate FSIC_MkCFS-780149	McKinley Exchange Corporate Center	December 17,2019	December 16, 2020
Department of Environment and Natural Resources	Hazardous Waste Generator Registration Certificate GR-NCR-76-00422	Ayala Land, Inc.	March 10, 2017	N/A
Department of Environment and Natural Resources	Permit to Operate for Gensets POA No. 17-POA-B-137602-483	Ayala Land, Inc.	July 25, 2017	February 07, 2022

LEGAL PROCEEDINGS

As of the date of this REIT Plan, to the best of our knowledge and belief and after due inquiry, none of our Company, our Fund Manager, or our Property Manager is currently involved in any material litigation claims or arbitration, either as plaintiff or defendant, which could be expected to have a material and adverse effect on our financial position. In addition, to the best of either our Company's or our Fund Manager's knowledge and belief and after due inquiry, none of the directors, nominees for election as director, or executive officers of our Company, our Fund Manager, or our Property Manager have in the five year period prior to the date of this REIT Plan been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; nor have they been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or from acting as a director, officer, employee, consultant, or agent occupying any fiduciary position. To the best of either our Company's or our Fund Manager's knowledge and belief and after due inquiry, none of the directors, nominees for election as director or executive officers of our Company, our Fund Manager, or our Property Manager have been convicted by final judgment of any violation of the REIT Act, the Corporation Code, the General Banking Law, the Insurance Code, the Securities Regulation Code, or any other related laws and any rules or regulations, or orders thereunder; nor have they been found insolvent or incapacitated to contract. Similarly, to the best of either our Company's or our Fund Manager's knowledge and belief and after due inquiry, none of our Properties are the subject of any pending material litigation, claims or arbitration, which could be expected to have a material and adverse effect on our financial position.

INDUSTRY[24]

The information below has been derived in part from publicly available Government sources, market data providers, and other independent third-party sources. In addition, this section and other sections of the REIT Plan contain information extracted from the commissioned industry reports prepared by Colliers for inclusion in this REIT Plan (which are attached as Annex 3 and Annex 4), and such information reflects estimates of market conditions based on publicly available sources and trade opinion surveys. References to Colliers should not be considered as the opinion of Colliers as to the value of any security or the advisability of investing in our Company. The Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information set out in this section has not been independently verified by our Company, the Joint Bookrunners, the Joint Lead Underwriters, or any other party involved in the Offer, and neither they nor Colliers give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

OVERVIEW OF THE PHILIPPINE ECONOMY

Historical Economic Performance (at constant 2000 prices)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Growth Rates (in %):												
Gross National Product	4.3	4.6	7.0	3.0	7.1	7.8	6.0	5.8	6.7	6.5	5.9	5.5
Gross Domestic Product	4.2	1.1	7.6	3.7	6.7	7.1	6.1	6.1	6.9	6.7	6.2	5.9
Personal Consumption Expenditure	3.7	2.3	3.4	5.6	6.6	5.6	5.6	6.3	7.1	5.9	5.6	5.8
Gov't Expenditure	0.3	10.9	4.0	2.1	15.5	5.0	3.3	7.6	9.0	6.2	13.0	10.5
Capital Formation	23.4	-8.7	31.6	2.8	-4.3	27.9	4.2	18.4	24.6	9.4	13.2	-0.6
Exports	-2.7	-7.8	21.0	-2.5	8.6	-1.0	12.6	8.5	11.6	19.7	13.4	3.2
Imports	1.6	-8.1	22.5	-0.6	5.6	4.4	9.9	14.6	20.2	18.1	16.0	2.1
AHFF[a]	3.2	-0.7	-0.2	2.6	2.8	1.1	1.7	0.1	-1.2	4.0	0.9	1.5
Industry	4.8	-1.9	11.6	1.9	7.3	9.2	7.8	6.4	8.1	7.1	6.7	4.9
Services	4.0	3.4	7.2	4.9	7.1	7.0	6.0	6.9	7.5	6.8	6.8	7.1
Other Indicators:												
Average Inflation[b]	8.3	4.1	3.9	4.6	3.2	2.6	3.6	0.7	1.3	2.9	5.0	2.5
PHP-USD (Average)	44.7	47.6	45.1	43.3	42.1	42.5	44.4	45.4	47.5	50.5	52.7	50.7
Average 91 Day T-Bill Rates (in %)	5.2	4.0	3.7	1.4	1.6	0.3	1.2	1.8	1.5	2.1	3.5	4.7

[a] Agriculture, Hunting, Forestry, Fishing

[b] Base year is 2012

Source: Philippine Statistics Authority, Bangko Sentral ng Pilipinas

The Philippine economy, as measured by real gross domestic product (GDP), grew by an average of 6.3% annually from 2010 to 2019. During this period, the Philippines was among the fastest-growing economies in Asia Pacific.

[24] Our Company engaged Colliers International Philippines, Inc. ("Colliers") to conduct independent market research studies on the real estate industry in the Philippines and office real estate markets in Metro Manila and Cebu. Colliers is a leader in global real estate services. It provides a total real estate solution to both local and multinational corporation across all sectors worldwide.

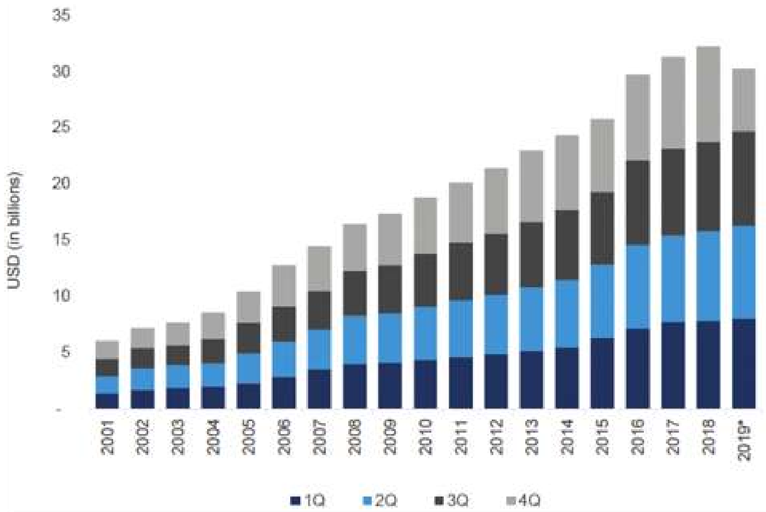
GDP rose by 5.9% in 2019, below the government's target of 6%-6.5% for 2019. Among the main drivers of growth for 2019 are Government Expenditures, which grew by 18.7% in Q4 2019. Household consumption which accounts for about 70% of the country's GDP, grew by 5.8% in 2019. Other drivers of the economy were the *Services* and *Industry* segment which grew by 7.1% and 4.9% respectively. The Agriculture sector also grew by 1.5% in 2019.

Economic Indicators

Various factors have contributed to the current growth trend that the country is experiencing:

Overseas Filipino Remittances

As of October 2019, OFW remittances reached USD30.3 billion, a 4.1% growth from the same period in 2018. About 78% of the remittances came from the United States (US), Saudi Arabia, United Arab Emirates, Singapore, Japan, United Kingdom, Kuwait, Canada, Germany, and Hong Kong. The continued growth in personal remittances was driven by steady remittance inflows from land-based OFWs with work contracts of one year or more and compensation of sea and land-based workers with short-term contracts.



* *As of October 2019*

Source: Bangko Sentral ng Pilipinas (BSP)

Stable Employment

Unemployment rate went even lower at 4.5% in October 2019 as compared to the 5.1% recorded in October 2018, which translated to about 153,000 less unemployed persons. Underemployment declined to 13.0% in October 2019 from 13.3% in the same period last year. The Philippine employment is expected to improve in the coming years as the country is projected to register sustained economic growth. This should be supported by the deployment of more infrastructure projects, continued growth in real estate and construction related industries, and expansion of the businesses outside Metro Manila.

Year	Month	Labor Force Participation Rate	Employment Rate	Unemployment Rate	Underemployment Rate
2010	**Jan**	**64.50%**	**92.70%**	**7.30%**	**19.70%**
	Apr	63.60%	92.00%	8.00%	17.80%
	Jul	63.90%	93.00%	7.00%	17.90%
	Oct	64.20%	92.90%	7.10%	19.60%

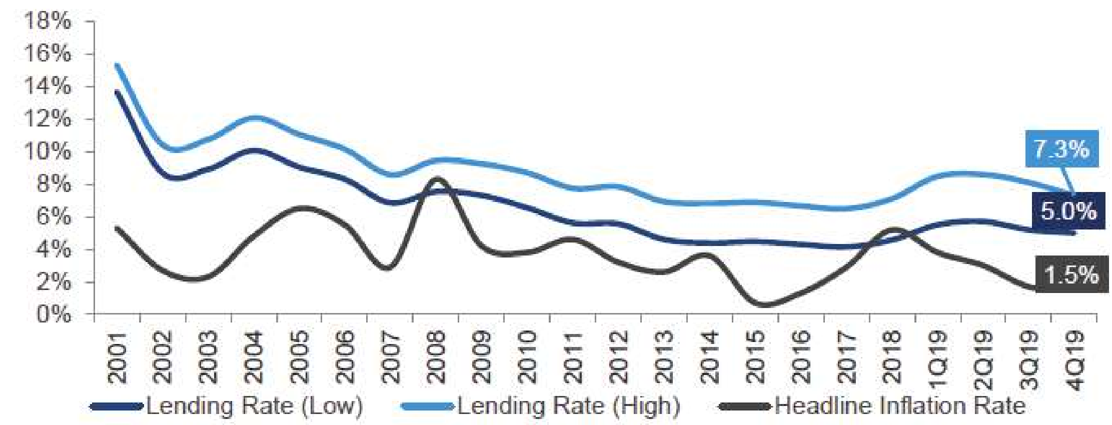
Year	Month	Labor Force Participation Rate	Employment Rate	Unemployment Rate	Underemployment Rate
2011	**Jan**	**63.70%**	**92.60%**	**7.40%**	**19.40%**
	Apr	64.20%	92.80%	7.20%	19.40%
	Jul	64.30%	92.90%	7.10%	19.10%
	Oct	66.30%	93.60%	6.40%	19.10%
2012	**Jan**	**64.30%**	**92.80%**	**7.20%**	**18.80%**
	Apr	64.70%	93.10%	6.90%	19.30%
	Jul	64.00%	93.00%	7.00%	22.70%
	Oct	63.90%	93.20%	6.80%	19.00%
2013	**Jan**	**64.10%**	**92.90%**	**7.10%**	**20.90%**
	Apr	63.80%	92.50%	7.50%	19.20%
	Jul	63.90%	92.70%	7.30%	19.20%
	Oct	63.90%	93.50%	6.50%	17.90%
2014	**Jan**	**63.80%**	**92.50%**	**7.50%**	**19.50%**
	Apr	65.20%	93.00%	7.00%	18.20%
	Jul	64.40%	93.30%	6.70%	18.30%
	Oct	64.30%	94.00%	6.00%	18.70%
2015	**Jan**	**63.80%**	**93.40%**	**6.60%**	**17.50%**
	Apr	64.60%	93.60%	6.40%	17.80%
	Jul	62.90%	93.50%	6.50%	21.00%
	Oct	63.30%	94.40%	5.60%	17.70%
2016	**Jan**	**63.30%**	**94.20%**	**5.80%**	**19.70%**
	Apr	63.60%	93.90%	6.10%	18.40%
	Jul	63.30%	94.60%	5.40%	17.30%
	Oct	63.60%	95.30%	4.70%	18.00%
2017	**Jan**	**60.70%**	**93.40%**	**6.60%**	**16.30%**
	Apr	61.40%	94.30%	5.70%	16.10%
	Jul	60.60%	94.40%	5.60%	16.30%
	Oct	62.10%	95.00%	5.00%	15.90%
2018	**Jan**	**62.20%**	**94.70%**	**5.30%**	**18.0%**
	Apr	60.90%	94.50%	5.50%	17.00%
	Jul	60.10%	94.60%	5.40%	17.20%
	Oct	60.60%	94.90%	5.10%	13.30%
2019	**Jan**	**60.20%**	**94.80%**	**5.20%**	**15.60%**
	Apr	61.40%	94.90%	5.10%	13.50%
	Jul	62.10%	94.60%	5.40%	13.90%
	Oct/p	61.50%	95.50%	4.50%	13.00%

Source: Philippine Statistics Authority

p/Estimates for October 2019 are preliminary and may change.

Interest Rates

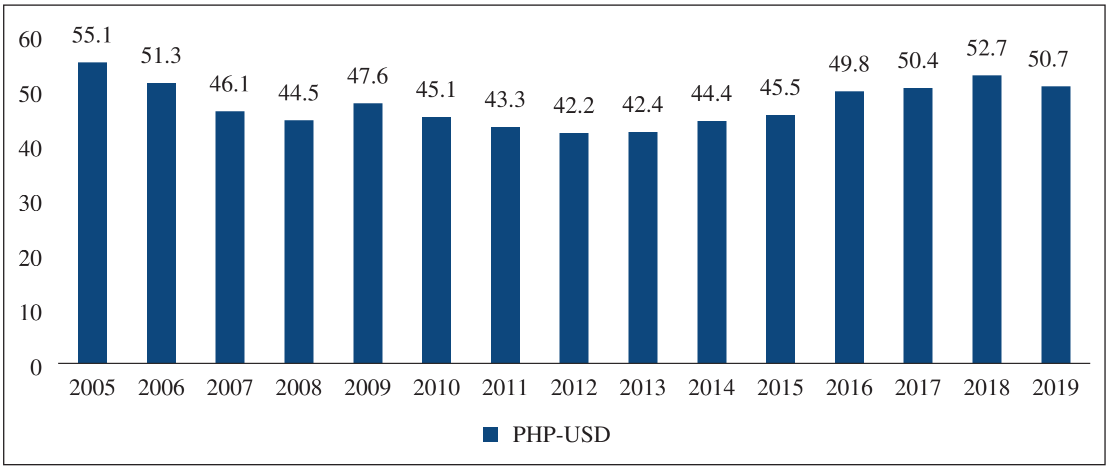
Lending rates, as of Q4 2019 (November), ranged from a high of 7.3% to a low of 5.0%. Headline inflation accelerated to 2.5% in December 2019 from the 1.3% in November 2019, placing 2019 average inflation at 1.5%, a 3-year low and well within the government's 2-4 percent target for the year. According to the central bank, the downside risks to inflation seem to have emanated from the continued implementation of the rice tarrification law, and the stronger peso against the US dollar. Upside risks to inflation include the strong rebound in global oil prices; higher domestic demand during the holiday season; elevated prices of meat alternatives due to the African Swine Fever (**ASF**) outbreak; and the effect of weather conditions on food supply. Meanwhile, analysts still expect a benign inflation in 2020 with an outlook tilted on the upside due to the implementation of the other packages of the Comprehensive Tax Reform Program such as excise taxes on oil and tobacco. Meanwhile, as of 4Q 2019, average mortgage rate was at 6.9%.



Source: Bangko Sentral ng Pilipinas

Peso Appreciates

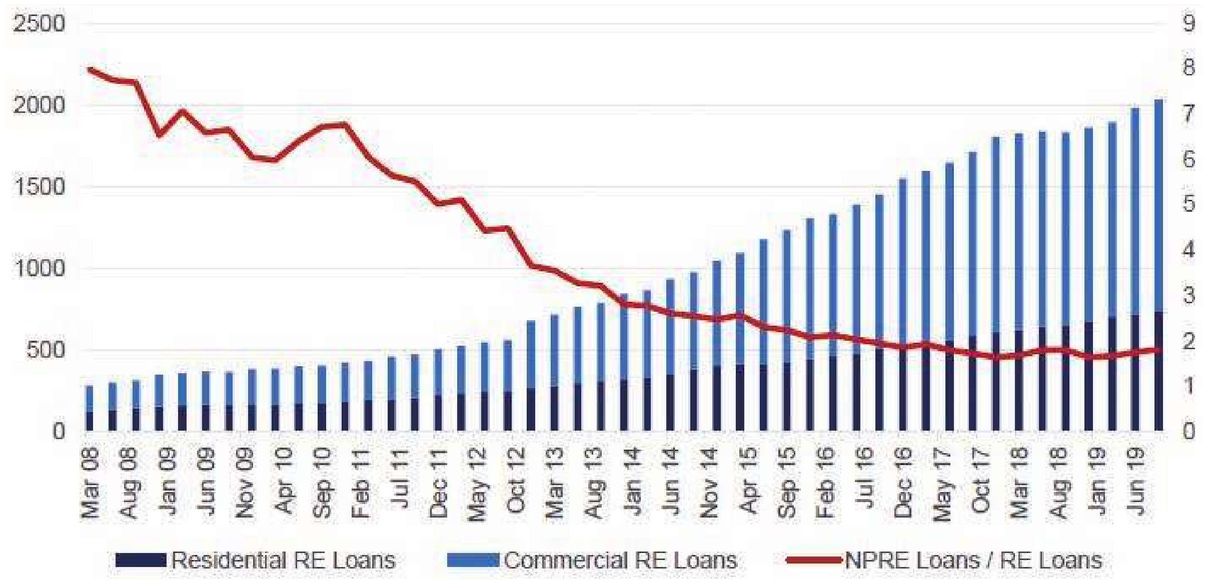
The average exchange rate in Q4 2019 was PHP50.76 to USD1 from PHP51.76 to USD1 recorded in Q3 2019. The peso's appreciation was due mainly to the benign domestic inflation environment, sustained Overseas Filipino Worker (**OFW**) remittances, foreign direct investments (**FDI**) and business process outsourcing receipts.



Source: Bangko Sentral ng Pilipinas

Real Estate Loans

Real estate loans for September 2019 grew by 11% to Php2.03 trillion from Php1.83 trillion in September 2018. The proportion of non-performing real estate loans reached 1.82%. Real estate loans for commercial use accounted for 64% or Php1.30 trillion while residential loans covered the remaining 36% or Php734 billion.



Source: Bangko Sentral ng Pilipinas

* *As of September 2019*

Metro Manila Overview

Geographical Location

Metro Manila is also known as the National Capital Region ("**NCR**") because it houses the seat of government and is the most populous region in the country. It is composed of the following cities: Manila, Quezon City, Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, San Juan, Taguig, Valenzuela, and the Municipality of Pateros.

Source: http://ncr.ntc.gov.ph/

Metro Manila has a total land area of 636 square kilometers or 63,600 hectares and is composed of sixteen cities and one (1) municipality. It is located along the flat alluvial and deltaic lands around the mouth of the Pasig River and extends to the higher rugged lands surrounding Marikina Valley in the east. It is bounded by Manila Bay in the west, the Sierra Madre Mountains in the east, the fertile plains of Central Luzon in the north, and Laguna Bay in the south.

Economy

Gross Regional Domestic Product

Metro Manila is the economic center of the Philippines, with the region accounting for 36% of the country's GDP in 2018 and growing by 4.8% between 2017 and 2018, slower than the national GDP growth rate for the same period.

REGION/YEAR	2016 (in Php)	2017 (in Php)	2018 (in Php)	% Share	% Growth (17-18)
Philippines	**8,123,375,304**	**8,665,818,041**	**9,206,888,993**	**100%**	**6.2%**
NATIONAL CAPITAL REGION	**2,976,234,624**	**3,159,842,816**	**3,312,006,887**	**36.0%**	**4.8%**
Cordillera Administrative Region	136,873,913	153,611,966	164,891,934	1.8%	7.3%
Region I – Ilocos Region	257,277,270	272,127,691	289,866,090	3.1%	6.5%
Region II – Cagayan Valley	139,548,688	149,475,093	154,446,076	1.7%	3.3%
Region III – Central Luzon	773,108,325	844,038,175	904,021,524	9.8%	7.1%
Region IVA – CALABARZON	1,364,736,594	1,456,341,332	1,562,497,002	17.0%	7.3%
Region IVB – MIMAROPA	125,597,582	132,096,336	143,411,171	1.6%	8.6%
Region V – Bicol Region	164,065,917	172,249,247	187,599,848	2.0%	8.9%
Region VI – Western Visayas	323,562,341	351,386,178	372,867,944	4.0%	6.1%
Region VII – Central Visayas	524,645,371	551,684,028	593,850,122	6.5%	7.6%
Region VIII – Eastern Visayas	171,610,264	174,651,332	184,941,774	2.0%	5.9%
Region IX – Zamboanga Peninsula	164,866,496	168,806,467	179,376,571	1.9%	6.3%
Region X – Northern Mindanao	304,952,799	322,565,118	345,275,060	3.8%	7.0%
Region XI – Davao Region	333,405,134	369,070,854	400,825,766	4.4%	8.6%
Region XII – SOCCSKARGEN	213,182,370	230,775,902	246,690,292	2.7%	6.9%
Caraga	98,905,278	102,494,583	105,771,077	1.1%	3.2%
Autonomous Region in Muslim Mindanao	50,802,338	54,600,922	58,549,855	0.6%	7.2%

Note: At constant 2000 prices.

Source: Philippine Statistics Authority

Metro Manila is also the hub of business and industry in the country with a total of 187,650 establishments or 20.5% of the 915,726 total in 2016, according to the Philippine Statistics Authority. The *Wholesale and Retail* sector has the biggest share in terms of number with 79,403 establishments or 42.3% of Metro Manila establishments followed by *Accommodation and Food Services* with 23,648 establishments, and *Manufacturing* with 19,600 establishments.

Region	Number of Establishments	% Share
Philippines	**915,726**	
NATIONAL CAPITAL REGION	**187,650**	**20%**
Cordillera Administrative Region	18,992	2%
Region I – Ilocos Region	48,649	5%
Region II – Cagayan Valley	29,038	3%
Region III – Central Luzon	103,546	11%
Region IVA – CALABARZON	138,301	15%
Region IVB – MIMAROPA	27,226	3%
Region V – Bicol Region	36,214	4%
Region VI – Western Visayas	55,199	6%
Region VII – Central Visayas	62,129	7%
Region VIII – Eastern Visayas	27,834	3%
Region IX – Zamboanga Peninsula	31,843	3%
Region X – Northern Mindanao	35,331	4%
Region XI – Davao Region	49,575	5%
Region XII – SOCCSKARGEN	37,910	4%
Caraga	16,907	2%
Autonomous Region in Muslim Mindanao	9,382	1%

Source: Philippine Statistics Authority, 2016 No. of Establishments

There are also several business districts in the region, namely Makati Central Business District, Ortigas Center and Bonifacio Global City containing most of the headquarters of many multinational and local corporations. The City of Manila is also a bustling center of industry with the Port of Manila being one of the world's busiest container ports. Parañaque City meanwhile is the airport hub of the national capital as the country's main airport, the Ninoy Aquino International Airport that has both domestic and international flights, is located in the city.

INDUSTRY/YEAR	2016 (in ₱)	2017 (in ₱)	2018 (in ₱)	% Share	% Growth (17-18)
I. AGRICULTURE, HUNTING, FORESTRY & FISHING	**5,283,808**	**5,320,503**	**5,340,709**	**0.2%**	**0.4%**
a. Agriculture and Forestry	5,225,085	5,261,967	5,281,599	0.2%	0.4%
b. Fishing	58,723	58,536	59,109	0.0%	1.0%
II. INDUSTRY SECTOR	**548,264,718**	**559,372,526**	**561,945,691**	**17.0%**	**0.5%**
a. Mining and Quarrying	–	–	–	–	–
b. Manufacturing	369,695,103	393,037,342	379,836,743	11.5%	-3.4%
c. Construction	88,199,004	73,872,198	86,385,203	2.6%	16.9%
d. Electricity, Gas and Water Supply	90,370,611	92,462,987	95,723,745	2.9%	3.5%
III. SERVICE SECTOR	**2,422,686,098**	**2,595,149,787**	**2,744,720,488**	**82.9%**	**5.8%**
a. Transportation, Storage & Communication	176,019,678	179,904,470	188,360,471	5.7%	4.7%
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	860,729,639	931,376,891	984,105,639	29.7%	5.7%
c. Financial Intermediation	315,112,742	338,401,396	358,968,215	10.8%	6.1%
d. Real Estate, Renting & Business Activities	519,993,862	561,705,362	584,368,886	17.6%	4.0%
e. Public Administration & Defense; Compulsory Social Security	162,817,295	178,354,989	207,048,200	6.3%	16.1%
f. Other Services	388,012,883	405,406,678	421,869,075	12.7%	4.1%
GROSS DOMESTIC PRODUCT	**2,976,234,624**	**3,159,842,816**	**3,312,006,887**	**100.0%**	**4.8%**

Note: At constant 2000 prices

Source: Philippine Statistics Authority

The service sector continues to be the top source of GDP for Metro Manila, as it makes up 82.9% of the total GDP of the region. Among the sectors in the services sector, trade and repair of vehicles, personal and household goods is the top contributor, with a share of 29.7% followed by real estate, renting, and business activities with 17.6%.

Banking Statistics

Total deposits in Metro Manila grew at a rate of 1.81% annually from 2013 to June of 2019. Highest growth can be seen in the City of Manila growing 8.52% from a total average deposit per account of Php248,000 in 2013 to Php440,000 in the first half of 2019. This growth rate is more than triple the average growth rate experienced by the region. Pasay City on the other hand had a negative growth, from Php241,000 to Php132,000. However, this might be attributed to the increased number of bank accounts in the City. Other cities with significant growth in terms of average amount per account are: Mandaluyong City (5.33%), Makati (3.87%), Marikina City (3.78%).

Makati City remains to have the highest average, at Php471,000 per account, followed by the City of Manila. Conversely, Pateros and Las Piñas City have the lowest average amounts per account at Php97,000 and Php124,000, respectively.

Areas	**2013**	**2014**	**2015**	**2016**	**2017**	**Jun-18**	**Jun-19**	**CAGR (2013-Jun 2019)**
Metro Manila	277	269	282	318	343	339	314	1.81%
City of Manila	248	286	307	370	417	422	440	8.52%
City of Muntinlupa	186	180	198	214	229	223	216	2.18%
City of Navotas	182	177	193	199	205	213	193	0.85%
City of San Juan	160	120	125	150	179	214	167	0.61%
Caloocan City	244	237	270	309	347	331	306	3.28%
City of Las Piñas	114	108	110	123	128	130	124	1.18%
City of Makati	361	359	365	447	484	481	471	3.87%
City of Malabon	168	161	168	188	198	199	197	2.28%
City of Mandaluyong	196	199	249	296	337	303	282	5.33%
City of Marikina	115	112	133	162	163	163	149	3.78%
City of Parañaque	188	190	192	220	233	252	223	2.48%
Pasay City	241	125	140	116	130	127	132	-8.21%
City of Pasig	404	376	408	416	413	353	217	-8.48%
Pateros	87	82	98	90	92	97	97	1.50%
Quezon City	237	230	255	286	303	291	279	2.33%
Taguig City	413	370	357	370	346	370	325	-3.36%
City of Valenzuela	173	161	200	224	225	217	203	2.29%

Source: PDIC

Note: CAGR – Compounded Annual Growth Rate

Demographic profile

Population

From 2010 to 2015, Metro Manila's population grew from 11,855,975 to 12,877,253, or a 1.58% annual population growth.

Metro Manila Cities	Land Area (hectares)	2010 total population	2015 total population	2010-2015 CAGR
Manila City	2,498	1,652,171	1,780,148	1.43
Mandaluyong City	929	328,699	386,276	3.12
Marikina City	2,152	424,150	450,741	1.16
Pasig City	4,846	669,773	755,300	2.31
Quezon City	17,171	2,761,720	2,936,116	1.17
San Juan City	595	121,430	122,180	0.12
Caloocan City	5,580	1,489,040	1,583,978	1.18
Malabon City	3,264	353,337	365,525	0.65
Navotas City	894	249,131	249,463	0.03
Valenzuela City	4,702	575,356	620,422	1.45
Las Piñas City	3,269	552,573	588,894	1.22
Makati City	1,831	529,039	582,602	1.85
Muntinlupa City	3,975	459,941	504,509	1.78
Parañaque City	4,657	588,126	665,822	2.39
Pasay City	1,397	392,869	416,522	1.12
Pateros	1,040	64,147	63,840	-0.09
Taguig City	4,521	644,473	804,915	4.32
Metro Manila	***63,600***	***11,855,975***	***12,877,253***	***1.58***
Philippines	***30,000,000***	***92,337,852***	***100,981,437***	***1.72***

Source: Philippine Statistics Authority

Based on the demographic statistics, Quezon City is the largest in terms of land area as well as total population among the cities in Metro Manila. However, it is Taguig City that has seen the highest compounded annual growth in population at 4.32%.

In 1970, the population of Metro Manila was at 3.9 million people, which was 11% of the 36.7 million total population in the country. By 2015, this number surged to 12.9 million, which was a 1.7% growth every year from the 2000 figure of 9.9 million and accounts for 13% of the country's total population. This growth is slightly lower than the Philippines' 1.7% growth from 2000 to 2015.

	1970	1980	1990	2000	2010	2015	CAGR (2000-2015)
Metro Manila	3,967,000	5,926,000	7,948,000	9,932,560	11,855,975	12,877,253	1.70%
Philippines	36,684,000	48,098,000	60,704,000	76,506,928	92,337,852	100,981,437	1.80%

Source: Philippine Statistics Authority

Labor

As the political, economic, and industrial center of the country, Metro Manila's labor force is largely composed of laborers and unskilled workers (22%), roughly numbering 1,041,000 persons. This occupation group does simple and routine tasks which may require tools and physical effort. Government officials, corporate executives, managers, proprietors and supervisors follow with 897,000 employees. Those involved in BPO operations are classified under different occupation groups depending on the services delivered. BPO employees could be classified under clerical support workers, managers and supervisors or technicians and associate professionals depending on the level of services delivered.

Major Occupation Group	**Metro Manila**	
Laborers and unskilled workers	22%	1,041,000
Officials of Government and special interest organizations, corporate executives, managers, managing proprietors, and supervisors	19%	897,000
Service Workers and shop and market sales workers	15%	726,000
Clerks	13%	641,000
Trade and related workers	9%	423,000
Plant and machine operators and assemblers	8%	393,000
Professionals	8%	378,000
Technicians and Associate professionals	5%	223,000
Farmers, forestry workers, and fishermen	0%	15,000
Special Occupations (including non-gainful activities)	0%	15,000
Total		***4,752,000***

Source: Philippine Statistics Authority, April 2019, Labor Force Survey

OFW Concentration

An estimated 2.4 million Overseas Filipino Workers ("**OFWs**") were recorded in 2015, approximately 11% of which are from Manila. Most are employed as Service Workers, Shop and Market Sales Workers at 23.6% followed by Laborers and Unskilled Workers at 17.5% and Plant and Machine Operators and Assemblers at 13.6%.

OFW Major Occupation Group	Metro Manila	
Service Workers and shop and market sales workers	23.60%	63,484
Laborers and unskilled workers	17.50%	47,075
Plant and machine operators and assemblers	13.60%	36,584
Professionals	12.70%	34,163
Trade and related workers	11.50%	30,935
Technicians and Associate professionals	9.00%	24,210
Clerks	6.80%	18,292
Officials of Government and special interest organizations, corporate executives, managers, managing proprietors, and supervisors	5.30%	14,257
Farmers, forestry workers, and fishermen	–	–
Total		***269,000***

Source: Philippine Statistics Authority

Upcoming infrastructure

Project	General Status	Target Date of Completion*	Description
Manila North Expressway Project (Segments 8, 9, 10)	Under Construction	(2019) Delayed	14-km extension to Commonwealth Ave.
Metro Manila Skyway (MMS) Stage 3	66.74% complete	2020	Elevated expressway from Buendia, Makati City to Balintawak, Quezon City
Bonifacio Global City-Ortigas Center Link Road Project	Under Construction	2020	4-km roadway to linked BGC from Pasig
MRT Line 7	40.44% complete	2020	A 22.8-km elevated railway from Q. Avenue to San Jose del Monte, Bulacan
LRT Line 2 East Extension	Under Construction	2020	4-km extension from LRT-2 that Connects Santolan Station to Masinag
NLEX-SLEX Connector Road	Pre Construction	2021	An 8-kilometer elevated road from C-3 Road Caloocan City to PUP Sta. Mesa, Manila
Taguig Integrated Terminal	To commence construction	2021	Terminal for passengers coming from Batangas/ Laguna

Project	General Status	Target Date of Completion*	Description
Fort Bonifacio – Makati Sky Train	Under Review	2022	2-km monorail that will connect Makati City and Fort Bonifacio
C-5 Southlink Expressway Project	Under Construction	2022	A 7.7-km connection from C5 to CAVITEx through Taguig, Parañaque, Las Piñas, and Cavite.
Southeast Metro Manila Expressway Project	Under Construction	2022	34-KM expressway running across eastern Metro Manila and part of Rizal
LRT-1 Cavite Extension	Pre Construction	2022	Extending LRT 1 from Baclaran to Bacoor, Cavite
North-South Commuter Rail Plan	Under Review	2023	147-km railway that will link Clark Airport to Manila and to Calamba City
Mega Manila Subway	Under Construction	2025	25-km underground mass transport system that will link major business districts and government agencies. Transit line to connect Mindanao Ave. to Pasay City
LRT Line 6	Under Review	TBA	19-km elevated railway from Aguinaldo Highway to Bacoor, Cavite
MRT-11 Project	Under Review	TBA	18-km of elevated MRT from EDSA Balintawak to San Jose del Monte, Bulacan
C5 – MRT 10 Project	Under Review	TBA	22.5 km LRT from NAIA via C5 to Commonwealth Ave

Source: Department of Public Works and Highways, Public-Private Partnership Center, Colliers International Research

**Note: Status as of Q4 2019*

Metro Manila Subway

The Metro Manila Subway, formerly known as the Mega Manila Subway, is a 25-km underground mass transport system that will link major business districts and government agencies. The proposed subway will traverse Quezon City, Pasig, Makati, Taguig and Pasay City. The project is slated to be completed by 2025, and in 2022 the government aims to make three (3) stations operational: Mindanao Ave – Quirino Ave., Tandang Sora, and North Avenue; the three northern most stations of the subway. With the completion of this project, it is estimated that a total of 365,000 riders will be accommodated.

Manila Metro Rail Transit System Line 7 ("MRT Line 7" or "MRT-7")

MRT-7 is a public-private partnership project that involves the financing, design, construction, operation and maintenance of a 23-kilometer elevated railway line with 14 stations from San Jose Del Monte, Bulacan to MRT-3 North Avenue in Quezon City, and the 22-kilometer asphalt road from Bocaue Interchange of North Luzon Expressway (**NLEX**) to the intermodal in Tala. It is expected to decongest EDSA, a major thoroughfare in Metro Manila, as this will provide an easier commute to Metro Manila.

The MRT-7 railway will have 13 stations which consisting of: (1) North Avenue, (2) Quezon Memorial, (3) Regalado, (9) Mindanao, (10) Quirino, (11) Sacred Heart, (12) Tala, and (13) San Jose del Monte Intermodal Transport Terminal.

The rail component of this project involves the construction of a 22.8-kilometer rail transit system that will operate 108 rail cars in a three-car train configuration with a project daily passenger capacity ranging from 448,000 to 850,000. Delays in this project were partly due to determining the location of the common station in EDSA. Once completed by year 2020, the project is expected to shorten the 3.5-hour travel time by road from North Avenue, Quezon City to San Jose del Monte, Bulacan and vice versa, to one hour by train. Initially, MRT-7 is expected to accommodate 350,000 daily passengers and, once the upgrades are completed, 800,000 passengers per day will benefit from this project.

Commuters can take public utility vehicles or private vehicles and use the new highway from NLEX, take the train through the intermodal transport terminal (**ITT**), and board the MRT-7 going to North Avenue, Quezon City. There will also be a common station in North Avenue that will connect MRT-7 to Metro Rail Transit Line 3 (**MRT3**) and the Light Rail Transit Line 1 (**LRT-1**).

LRT-1 extension project

The 11.7-kilometer extension of the Light Rail Train Line 1 (**LRT-1**), also called the LRT Line 1 Cavite Extension, will start from Baclaran to Bacoor, Cavite. The extension will include the construction of eight (8) passenger stations with two (2) additional passenger stations namely: Manuyo and Talaba Stations; three (3) intermodal facilities; one (1) satellite depot; and modification/upgrading of the existing LRT-1 depot. The estimated cost of the project is ₱64.9 billion, and the project is expected to achieve completion by year 2022.

There will be 10 stations which will begin in the last station of the LRT-1, with stops at: (1) Baclaran station, (2) MIA Road, (3) Asia World, (4) N. Aquino, (5) Dr. Santos, (6), Manuyo Uno, (7) Las Piñas, (8) Zapote, (9) Talaba, (10) Niyog Station going to Bacoor.

The winning proponent for the project, a consortium of Ayala Corporation, Metro Pacific Investments Corporation (MPIC) group, and Macquarie, has already held its groundbreaking ceremony last September 2017. It is currently undergoing pre-construction activities which include ROW acquisition, relocation of Informal Settler Families (ISFs), utility diversion and the finalization of alignment.

Upon the completion of this project, the accessibility to residential developments within the affected areas of Parañaque City, Las Piñas City, and Bacoor City, are expected to increase. Offices and retail developments that are primarily located in Entertainment City – 44-hectare development that lies on the western side of Roxas Boulevard and south of SM Corporate District (part of Parañaque City) – are also expected to benefit from increased foot traffic from visitors of Southern Metro Manila.

METRO MANILA OFFICE PROPERTY MARKET

Key regulations/policies governing the office property market

For the past decade or so, the office market in Metro Manila as well in other key cities in the Philippines has been driven by the Business Process Outsourcing (**BPO**) industry. BPO companies prefer the Philippines due to the deep talent pool and the relatively lower cost of operations. The strong demand coming from this sector has encouraged a lot of developers to provide facilities that will satisfy their requirements. In addition to established business districts in Metro Manila, developers have also built office buildings in new commercial districts located in other areas of Metro Manila as well as other key cities in the other regions.

Local and foreign investors in the Philippines are entitled to fiscal and non-fiscal incentives. Below is an enumeration of the incentives applicable to BOI and PEZA accredited companies under Executive Order No. 226 and Republic Act No. 7916, respectively. The emerging presence of the IT-BPO firms and companies, and commercial office developers in the country has likewise been highly engaged with these agencies. Currently, there are 401 IT-Parks and/or Centers, and some 3,655 IT enterprises accredited under PEZA. These, together with the other BOI accredited companies are governed under the following incentive laws:

Incentive	BOI	PEZA
Enabling Law	Executive Order No. 226, as amended	Republic Act No. 7916, as amended
FISCAL		
Income Tax Holiday	Pioneer: Six (6) Years Non-Pioneer: Four (4) Years Expansion: Three (3) Years The exemption period may be extended for another year in each of the following cases: 1. The project uses indigenous raw materials 2. The project meets the BOI-prescribed ratio of capital equipment to number of workers 3. The net foreign exchange savings or earnings amount to at least US$500,000.00 annually during the first three years of the project's commercial operations	For Export-Oriented: Pioneer: Six (6) Years Non-Pioneer: Four (4) Years Expansion: Three (3) Years A special tax rate of 5% of gross income earned in lieu of the payment of all national and local taxes except real property tax after the income tax holiday
Tax- and Duty-Free Importation of Capital Equipment	Incentives under E.O. 528 For BOI-registered companies: 12% VAT, 0% duty	Available
Tax Credit on Domestic Capital Equipment	None	Available
Additional Deduction for Labor Expense	Available for the first five (5) years from registration, additional deduction from the taxable income of 50% of the wages	Same as E.O. No. 226 incentive: Available for the first five (5) years from registration, additional deduction from the taxable income of 50% of the wages
Tax- and Duty-Free Importation on Breeding Stocks and Genetic Materials	Available	Available
Tax Credit on Duty Portion of Domestic Breeding Stocks and Genetic Materials	Available	Available

Incentive	BOI	PEZA
Tax Credit for Taxes and Duties on Raw Materials	Available (used in the manufacture, processing, or production of a project's export products)	None
Tax and Duty Exempt Importation of Imported Spare Parts	Available	Available
Exemption from Wharf age Dues and Export Tax, Duty, Impost and Fee	Available	Available
Additional Deduction on Training Expenses	None	Equivalent to 1/2 of the value of training expenses incurred
Exemption from Payment of Local Licenses, Fees, Dues, Imposts, Taxes and Burdens	None	Available
Tax and Duty Exempt Importation of Construction Materials	None	Available
Taxes and Duty Exempt Importation of Specialized Office Equipment and Furniture	None	Available
NON-FISCAL		
Business within may be 100% foreign-owned		
Unrestricted Use of Consigned Equipment	Available (including exemption from taxes and duties on imported supplies and spare parts for consigned equipment) There are no restrictions on the use by BOI-registered enterprises of consigned equipment provided a re-export bond is posted. E. O. No. 226 provides further that if the consigned equipment and spare parts were imported tax and duty-free, the re-export bond may be waived	Available
Treatment of the Zone as a separate customs territory		Available

Incentive	BOI	PEZA
Permanent Resident Status for Foreign Investors and Immediate Family (Special Investors Resident Visa)	Foreign personnel of regional headquarters in the Philippines; their respective spouses and unmarried children below 21 years old may be issued multiple entry visas For investments of US$75,000.00	Available For investments of US$150,000.00
Employment of Foreign Nationals	Foreign nationals may be employed in supervisory, technical or advisory positions within five (5) years from a project's registration, extendible for limited periods to be determined by the BOI. The positions of president, general manager, and treasurer or their equivalents, of foreign-owned registered firms may be retained by foreign nationals for a longer period All foreign employees may bring with them their spouses and unmarried children under 21 years of age	Foreign nationals may be employed in supervisory, technical or advisory positions within five (5) years from a project's registration, extendible for limited periods to be determined by the BOI. The positions of president, general manager, and treasurer or their equivalents, of foreign-owned registered firms may be retained by foreign nationals for a longer period All foreign employees may bring with them their spouses and unmarried children under 21 years of age Special Investor's Resident Visa may be issued to aliens investing in at least US$75,000 in the Philippines thereby allowing them to reside in the Philippines as long as their investment is maintained
Location on less-developed areas (whether proposed or in an existing venture geared for expansion)	Additional Incentives: 1. The same set of incentives given to a pioneer registered enterprise; 2. A 100% deduction from its taxable income representing the necessary major infrastructure it may have undertaken in the course of its operation; and 3. An additional deduction from taxable income of 100% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year is observed	

Incentive	BOI	PEZA
Government Facilities for training laborers		Extends assistance on major manpower training of laborers to firms in the zones. The Technical, Education, Skills Development Authority ("**TESDA**") conducts manpower training programs. In addition, the Labor Code grants incentives to firms engaged in labor training activities.

Source: Board of Investments; PEZA

Currently, there are 401 IT-Parks and about 3,655 IT enterprises which are accredited under PEZA. Given the incentives afforded by law and the growing demand for BPO spaces, office developers are keen on securing PEZA accreditation for their planned developments. The Duterte administration issued a moratorium to hold PEZA applications for IT Parks inside Metro Manila which will limit companies seeking for PEZA-approved space to existing CBD's. The existing parks and buildings with approved PEZA accreditation already has an advantage over new buildings in the pipeline that are yet to apply for PEZA accreditation and easily capture the existing BPO/KPO industry.

PEZA has specific requirements for facilities-providers in line with the registration of IT Parks and Buildings intended for IT-enterprises:

PEZA Registration of IT Parks and Buildings

IT Parks and Buildings Located in Metro Manila which covers Manila, Caloocan, Las Piñas, Makati, Mandaluyong, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon, Valenzuela, Malabon, Navotas, Pateros, San Juan and Taguig.

PEZA shall accredit IT Parks and Buildings, subject to the following conditions:

- It is an existing, new or proposed complex or building with a minim available business floor area of 5,000 sq.m. (including common areas such as lobbies, elevator/stairways, corridors, wash rooms, and utility areas, but excluding parking areas and roof gardens).

- It provides the following minimum facilities required by a tenant IT enterprise:

  - High-speed fiber-optic telecommunication backbone and high-speed international gateway facility or wide-area network (WAN); or any high speed data telecommunication system that may become available in the future;

  - Clean, uninterruptible power supply; and

  - Computer security and building monitoring and maintenance systems (e.g. computer firewalls, encryption technology, fluctuation controls, etc.). Optionally, IT Parks and Buildings in Metro Manila may also provide IT business and technology incubation centers and facilitate access of locator IT Enterprises to IT research and development centers and training and educational institutions/facilities.

- Owners and/or developers of PEZA-registered IT Parks and Buildings in Metro Manila cannot enjoy PEZA incentives; except if the owners and/or developers of IT Parks in Metro Manila are already covered by Presidential Proclamations and/or approved by the PEZA Board prior to the PEZA Board approval of abovementioned guidelines. This includes facilities-providers in such IT Parks, shall be entitled to PEZA incentives.

- It shall be authorized to serve as location for PEZA-registered IT Enterprise) only upon the issuance of the required presidential proclamation.

IT Parks To Be Located Outside Metro Manila

PEZA shall register IT Parks outside Metro Manila, subject to the following conditions:

- It has a minimum land area of five (5) hectares;

- It provides the following minimum facilities required by tenant IT Enterprise:

    - High-speed fiber optic telecommunication backbone and high-speed international gateway facility or wide-area network (wan); or any high speed data telecommunication system that may become available in the future;

    - Clean, uninterruptible power supply; and

    - Computer security and building monitoring and maintenance systems (e.g. computer firewalls, encryption technology, fluctuation controls, etc). Optionally, IT Parks outside Metro Manila may also provide IT business and technology incubation centers and facilitate access of locator IT Enterprises to IT research and development centers and training and educational institutions/facilities.

- IT Parks located outside of Metro Manila shall become operational (i.e. authorized to serve as location for PEZA registered IT Enterprises) only upon the issuance of the required Presidential Proclamation.

    - Owners and/or developers of PEZA-registered IT Parks outside Metro Manila, including facilities providers in the IT Parks, shall be entitled to avail of the following incentives:

        - Income Tax Holiday (ITH) for four (4) years for non-Pioneer projects, or six (6) years for Pioneer project for IT Zones located in less developed areas listed in the investment Priorities Plan, on income earned from locator IT Enterprises and related operations.

        - After the ITH period, the option to pay a special 5% tax on gross income and other fiscal incentives as may be granted by PEZA;

        - VAT zero rating of local purchases made by the owners, developers and facility providers; and

        - Exemption from the expanded withholding tax.

Requirements for PEZA Board Consideration, President Proclamation and Registration of IT Parks and Buildings

Owners/developers of IT Parks and/or Buildings may apply for PEZA registration by submitting the following requirements:

- PEZA Board Consideration of a Proposed IT Park or Building

    - Application Form (notarized);

    - Anti-Graft Certificate (notarized);

    - SEC Registration Certificate and updated Articles of Incorporation;

    - Board Resolution authorizing the filling of application with PEZA and designating the representative(s) authorized to transact registration with PEZA;

    - Audited Financial Statements (for the last three (3) years of operation, for existing; companies);

    - IT Park/Building Projects Description and/or Feasibility Study, which should provide, among other, information on the financial capability of the proponent, present and proposed land use of the area for the IT Park/Building, and development plan and schedule for the proposed IT Park/Building;

    - Vicinity map reflecting the various land uses and important verifiable landmarks within one (1) kilometer radius of the project site;

    - Proof of land ownership or any perfected contact/document confirming the applicant's authority/clearance to use the land for the establishment of the proposed IT Park/Building;

    - Endorsement by the Sangguniang Bayan/Panlungsod of all local government units (i.e. municipalities and/or cities) of all areas included in the proposed IT Park/Building is not or has ceased to be economically feasible and sound for agricultural purposes (i.e. the area is marginal for agriculture use);

    - DAR Conversion Clearance or Exemption Certificate (or HLURB Zoning Certification, if applicable);

    - Other requirements as may be prescribed by the PEZA Board.

PEZA Endorsement of a Proposed IT Park or Building to the Office of the President for the issuance of a Presidential Proclamation

- Proof of land ownership and/or Long-Term Lease Agreement on the area of the proposed IT Park/Building

- Verified survey returns and technical description of the land area

- Certification from the National Water Resources Board that the identified source(s) of water for the IT Park/Building shall not cause water supply and related problems in adjacent communities

- Environmental Compliance Certificate issued by the Department of Environment and Natural Resources

- Other requirements as may be prescribed by the PEZA Board

- Signing of the PEZA Registration Agreement for an IT Park or Building Covered by Presidential Proclamations

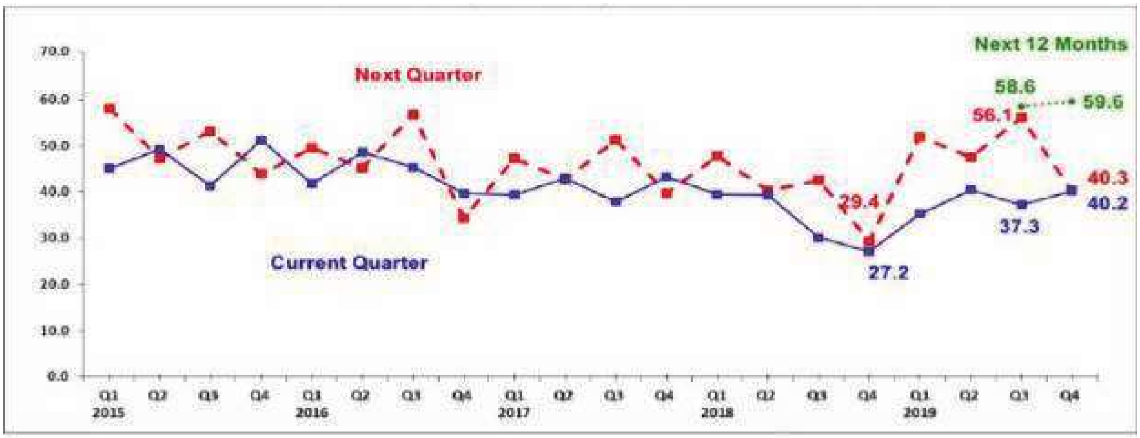
  - Detailed engineering and development plan and timetable

  - Other requirements as may be prescribed by the PEZA Board

Key factors affecting the office property market

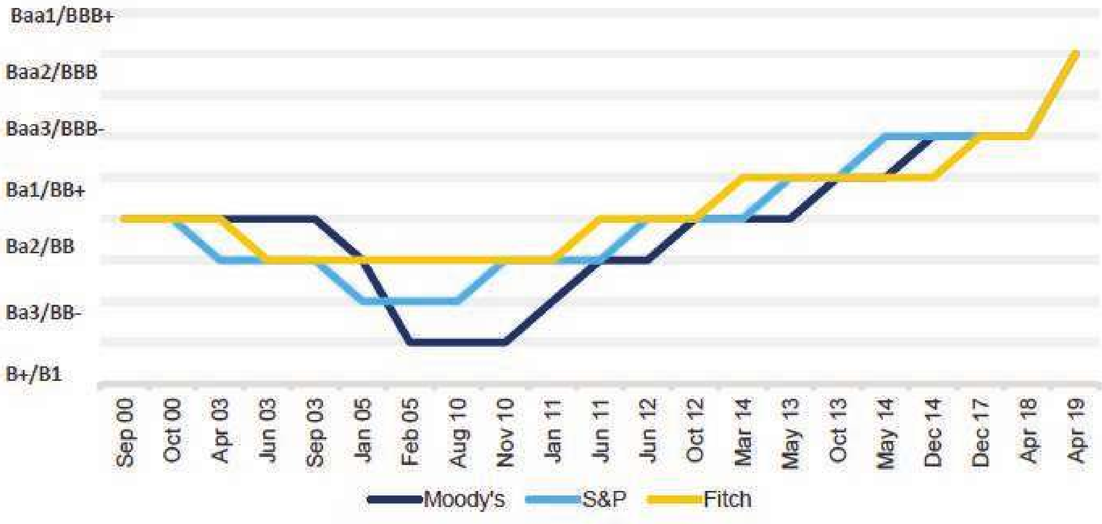
Business Sentiment and Investor Confidence

Latest data from the Bangko Sentral ng Pilipinas (**BSP**) showed that business sentiment remained optimistic in Q4 2019, rising to 40.2% from the 37.3% recorded in the third quarter of 2019. This more optimistic sentiment was attributed to higher consumer demand during the holiday and harvest seasons, more favorable macroeconomic conditions such as higher GDP growth, easing inflation and lower interest rates, higher government and infrastructure spending, and the expansion of businesses. The country's hosting of the 2019 Southeast Asian Games (SEA) Games also led to a positive impact for some firms as this created more jobs and increase in consumer spending. According to BSP, the country mirrored the more buoyant business outlook of Brazil, Chile, Netherlands, and Hungary. Meanwhile, countries such as Hong Kong, New Zealand, Singapore, South Korea, Thailand, Canada, China, Denmark, United Kingdom, and the United States remained pessimistic on their business sentiments.



Source: BSP

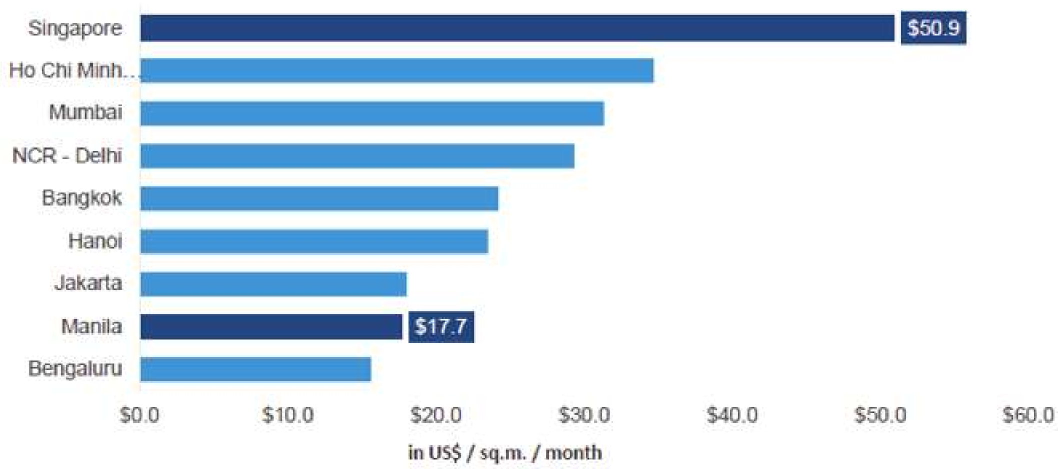
The Philippines garnered several rating upgrades since 2010, which has led to a more favorable climate for attracting investments in the country. Since 2014, the country has sustained its BBB rating in Standard & Poor's and Moody's. The country also experienced an upgrade in Fitch from BBB-to BBB in December 2017. As of Q4 2019, Moody's rated the Philippines a Baa2 due to sustained strong economic performance, strengthening fiscal position and limited vulnerability to external shocks, as mentioned during their credit opinion for the rating.



Source: S&P, Moody's, Fitch

Prime Rental Rates in Asia

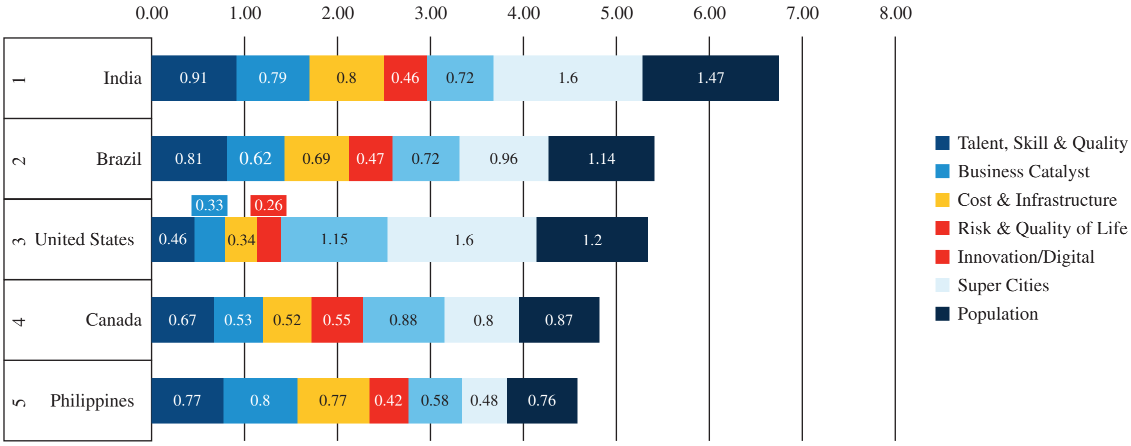
The Philippines still has one of the lowest rental rates of Prime and Grade A buildings in Asia, just ahead of Jakarta and Bengaluru at USD17.7 per sq.m. per month. The relatively low office rental rates against its Asian peers has attracted investors, multinational companies, traditional/non-outsourcing companies, such as flexible workspace operators, insurance companies, government agencies and business process outsourcing (**BPO**) companies to establish offices and branches into the country. Singapore continues to lead office rental rates at USD50.9 per sq.m. per month followed by Ho Chi Minh and Mumbai at USD41.6 and USD35.1 per sq.m. per month respectively.



Source: Colliers International Research

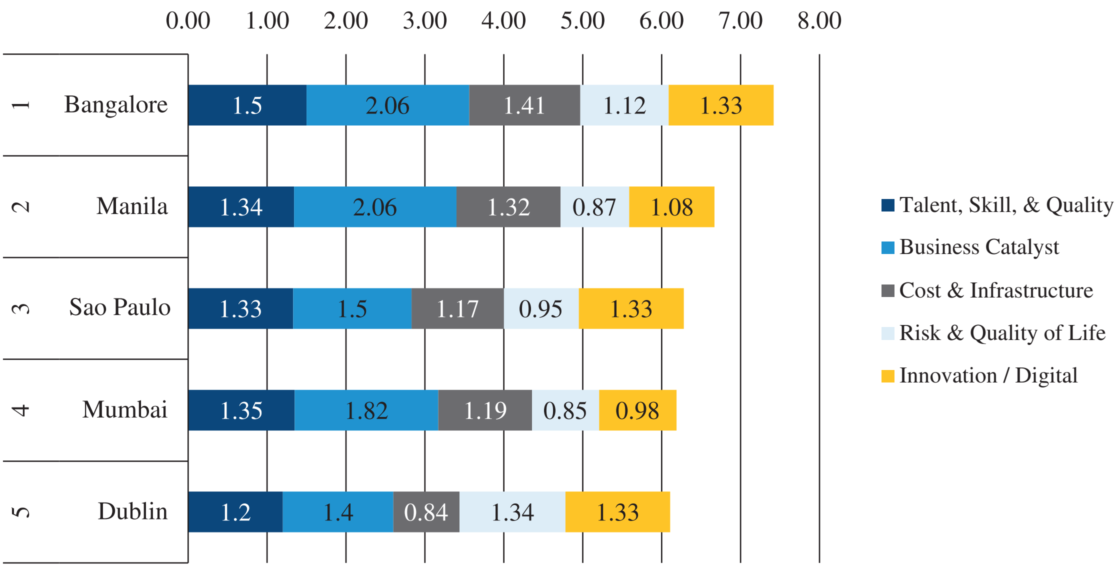
Philippines' Enduring Advantage for the BPO Industry

The Philippines has been ranked as the 5th digital nation by Tholons Services Globalization Country Index with India maintaining as the topmost digital nation among all countries in 2019. Among seven factors considered, the country's top three metrics for making it to top five is the availability of Talent, Skill & Quality, Business Catalyst, Cost & Infrastructures, and Population.



Source: Tholons Services Globalization Index 2019

Based on the City Index, Manila maintains its top 2nd rank followed and the City of Bangalore maintaining the top spot in 2019. Manila is followed by the cities of Sao Paulo, Mumbai, and Dublin. The top metrics for reaching the second spot for Manila were based on Talent, skill & quality, Business Catalyst, and Cost & Infrastructure.



Source: Tholons Services Globalization Index 2019

While the Philippines remains as a top destination for outsourcing, it is still necessary for public and private organizations to collaborate to promote the following:

- Maintaining Talent, Skill & Quality level of Filipinos

  IT & Business Processing Association of the Philippines (IBPAP) recommends for continued programs centered around upskilling talents to meet higher-skilled outsourcing demand for talents from industries like software development, healthcare, animation and game development. This also includes promoting opportunities for learning for existing talent to develop their skills and prepare them for higher-skilled work.

- Maintaining Cost Competitiveness in the Global Marketplace

  Collaborative work between government investment bureau's and private companies in promoting the country as a preferred location for outsourcing which requires government support in creating effective policies that will attract foreign investors and strengthening public & private partnerships by meeting the office supply requirement to push the industry more.

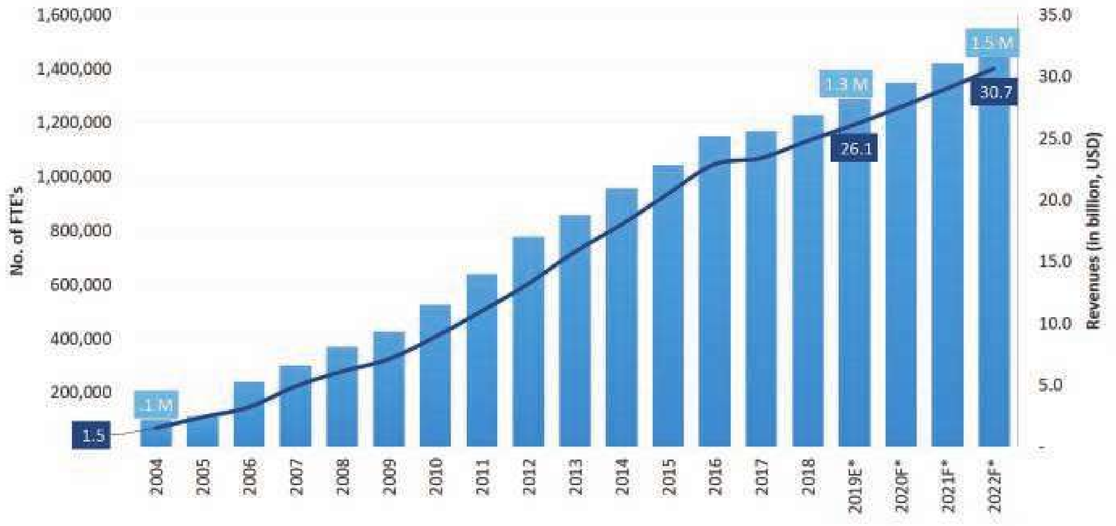
- Improving the Quality of Cities and Quality of Life

  Multinational companies that require higher-skilled services usually prioritizes the well-being of their most important asset – the talented people that help their business grow. This explains why top-tier technology and finance companies prioritize office spaces within CBD's. The presence of well-designed buildings, accessibility to retail, quality residential options, access to open spaces, walkable sidewalks and less likely to experience commuting are all factors that immediately affect the quality of life of people. Tech companies are resilient industries in the IT-BPM industry and just by looking at the locations of their HQ's where their most important talents are housed, their offices are located in cities that offer a higher quality of life. Manila's pocket CBD's are able to meet most of these metrics and this is a proven business model that are already being developed in other Metro Areas of the Philippines.

Upskilling of the BPO Industry

The Philippine IT-BPO sector grew at a rapid rate to post a compounded annual growth of 29.1% from 2006 to 2010. Also, BPO revenues increased seven times to reach USD11 billion in 2011 from USD1.5 billion registered in 2004. At the end of 2015, an estimated USD21.3 billion in revenue was generated by the sector based on the data from the Everest Group, the largest exporter of voice-driven BPO is the Philippines.

In 2016, about 1,100,000 full-time employees (**FTEs**) are currently engaged in the Off-shoring and Outsourcing Industry, a 10% increase from 2015. Meanwhile, revenues reached USD22.9 billion by end-2016, which is a 12% growth from USD21.3 billion in 2015. 62% of FTEs are employed in the voice-based BPO segment while 32% are in the non-voice IT sector, where Philippines ranked second to India. The latter is seen to continually drive the market in the long haul, geared towards the industry-specific services such as banking, health, care, and media.



Source: IBPAP, Colliers International Research

In 2018, IBPAP reported that revenues reached a total of USD24.8 billion, a steady growth of 6% growth from 2017 but an exponential growth of 14% since 2010. The estimated revenue for end-2019 will reach USD26.1 billion which translates to an estimated direct employment of 1.29 million employees, The Off-shoring & Outsourcing O&O industry is expected to grow by 17% by year 2022 and with growth in employment of 16% from the 2019's estimated figures. This roughly translates to more than a million sq.m. demand from the business process outsourcing (BPO) industry.

Meanwhile, office space options are currently limited in Metro Manila mainly due to the strong demand coming from the expansion of existing traditional office tenants and the O&O industry and a competition of securing space from the Philippine Offshore Gaming Operator (POGO) locators. Metro Manila is expected to deliver at least a million of sq.m. annually between 2020-2022 to keep up with the demand from the growing demand.

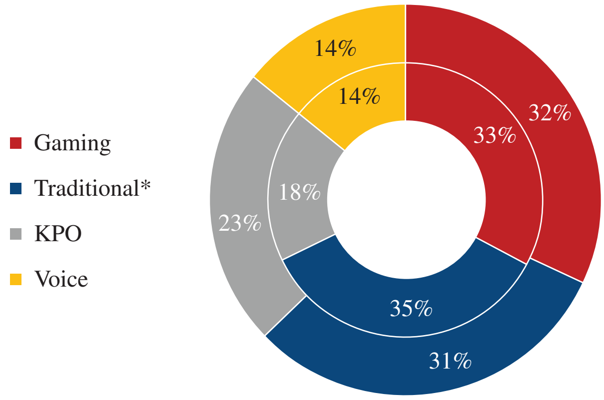
Based on historical growth, the Philippine IT-BPM headcount is expected to grow by 3.0%-7.0% with the highest growth expected from the Healthcare and Animation & Game Development outsourced services. On the same note, revenues are also expected to grow in the same industries by 3.5% to 7.5%.

	Projected Headcount Growth Range 2019 - 2022F
Contact Center & BP	2.8% - 6.7%
IT	2.7% - 6.2%
GIC	2.7% - 4.7%
Healthcare	6.8% - 10.2%
Animation & Game Devt.	6.8% - 11.7%
Overall IT-BPM	3.0% - 7.0%

	Projected Revenue Growth Range 2019 - 2022F
Contact Center & BP	3.3% - 7.4%
IT	3.2% - 6.7%
GIC	3.2% - 5.2%
Healthcare	7.3% - 10.8%
Animation & Game Devt.	7.3% - 12.3%
Overall IT-BPM	3.5% - 7.5%

Source: IBPAP

The Philippines is the leading offshore-nearshore location for healthcare services delivery and the segment is expected to steadily grow especially given the pandemic crisis that COVID-19 has brought across the globe. According to a Colliers International study released from Philadelphia, the Life Sciences sector is expected to experience a bump on the road in terms of growth, however, this is expected to recover as pharmaceutical companies race to find a vaccine for COVID-19. On another note, animation and game development are also expected to experience a growth compared to other outsourced services. Healthcare and Animation & Game Development requires higher skilled employees which shows a transition from being a BPO to a more KPO-based industry.



Note: Inner Circle = Q1 2019; Outer Circle = Q1 2020.

* *includes traditional firms, government agencies, and flexible workspace operators*

Source: Colliers International Research

Transactions from the Voice-BPO companies slightly decreased from 19% to 11% from 2018 to 2019 as traditional and KPO locators take-up more space. 47% of recorded transactions in 2019 were mostly from the non-BPO/KPO sector while the remaining larger share is from the Gaming companies with a 33% share. Most of the companies that affect the growing take-up from the non-BPO/KPO sector were mostly local traditional companies that are expanding consisting of government institutions and coworking spaces that cater to small start-up companies that hire freelance employees.

IBPAP and Tholons announced that due to the historical growth rates of the local BPO industry, the Philippines is expected to reach USD48.0 billion in O&O revenues by 2020, with employment doubling to around 2,600,000 employees by that time. Meanwhile, World Bank estimates that the BPO and related IT sectors will generate up to USD55.0 billion by 2020, which is approximately 11% of the country's GDP.

Philippine Gaming Industry

The Philippines continues to emerge in the global gaming market as revenue maintains its growth year on year. In 2017, the Philippine Gaming and Amusement Corporation (**PAGCOR**) reached gross gaming revenue of Php57.34 billion, a 7.6% increase from the previous year's PhP53.3 billion. This can be attributed to the new income-sharing scheme with lessors, the entry of the Philippine Offshore Gaming Operators (**POGO**) and the improvement of relationship with China and other neighboring countries which helped in promoting the gaming industry of the country.

The gaming industry is regulated by PAGCOR which approves licenses and operates casino establishments. Currently, there are eight (8) PAGCOR operated casinos under the name Casino Filipino, with most concentrated in the Metro Manila and Luzon area. Typical games offered in these establishments are Baccarat, Black Jack, Roulette, Craps, Bingo, Big and Small, Pai-Gow, Stud Poker and Slot Machines.

Previously, these casinos were operated solely by PAGCOR in leased sites usually in hotels, with the building owner receiving rent and/or a percentage of revenues as compensation for the usage of the space. However, with the emergence of integrated resorts, PAGCOR has allowed companies to both own and operate their casinos through the issuances of licenses, with the agreement that PAGCOR is paid a licensing fee. These licensees have the financial capability to pursue large scale developments with substantial hotel and entertainment components that could be comparable to those found in Las Vegas and Macau, and thus would be able to draw tourists and high rollers from abroad.

However, in January 2018, President Duterte imposed a moratorium on new casino operations due to concerns on the rapid increase of casinos in the country. PAGCOR followed the moratorium and are currently processing applications that were submitted prior to the issuance of the president's orders. The gaming regulators have halted the acceptance of applications since January 13, 2018. Currently, there issued applications before the moratorium. PAGCOR sees that the existing and upcoming casinos are enough at the moment to mature the market.

The Philippines also saw a new entrant in the gaming industry with the surge of online gaming. PAGCOR started providing licenses for Philippine and Offshore-based operators from any foreign country provided that Philippine-based gamers are not allowed to play. With the approval of PAGCOR, the subsector of the gaming industry was named Philippine Offshore Gaming Operators (POGO).

PAGCOR sees offshore gaming to be an income generator in the industry with the collection of license and royalty fees from POGO. Application and processing fees for POGO is at USD50,000 for e-casinos and USD40,000 for sports betting. Upon approval, USD200,000 and USD150,000 respectively will be collected from operators. In 2016, PAGCOR reportedly collected over USD19.97 million (Php1.0 billion) in licensing and processing fees.

There are 59 approved POGOs in the Philippines and five (5) accredited Gaming Laboratory of PAGCOR for Offshore Gaming Operators as of January 2020. With the surge of POGOs in the country, PAGCOR set a target revenue of Php33 billion for 2018, a 34.7% increase than the target revenue in 2017. For the first half of 2019, PAGCOR reported reached their Php23.84 Bn. target for the period and grew by 11.44% YoY. Most of the POGOs are located within the emerging CBDs such as the Manila Bay area and Alabang. They typically occupy office spaces from 10,000 up to 30,000 sq.m.

Metro manila office market overview

This office market overview covers the major business districts within Metro Manila, specifically the Makati CBD, Ortigas Center, Fort Bonifacio, Eastwood City, and Alabang as well as upcoming CBDs such as the North EDSA-Quezon City Triangle area and the Pasay-Manila Bay Reclamation area.

Source: Colliers International Research

Office Classification Criteria

Colliers International uses a broad guideline in determining the classification of an office building. While the guidelines are quite specific, the determination of the ultimate classification is also subjective and would require a judgment call. Thus, a building may not meet some criteria under the Premium grade but may still be classified as such. One example is ownership, since several Premium buildings in existence are under strata ownership by multiple owners. Due to changes in building design and features such as green building, these criteria are currently being updated and some may no longer be applicable in the future.

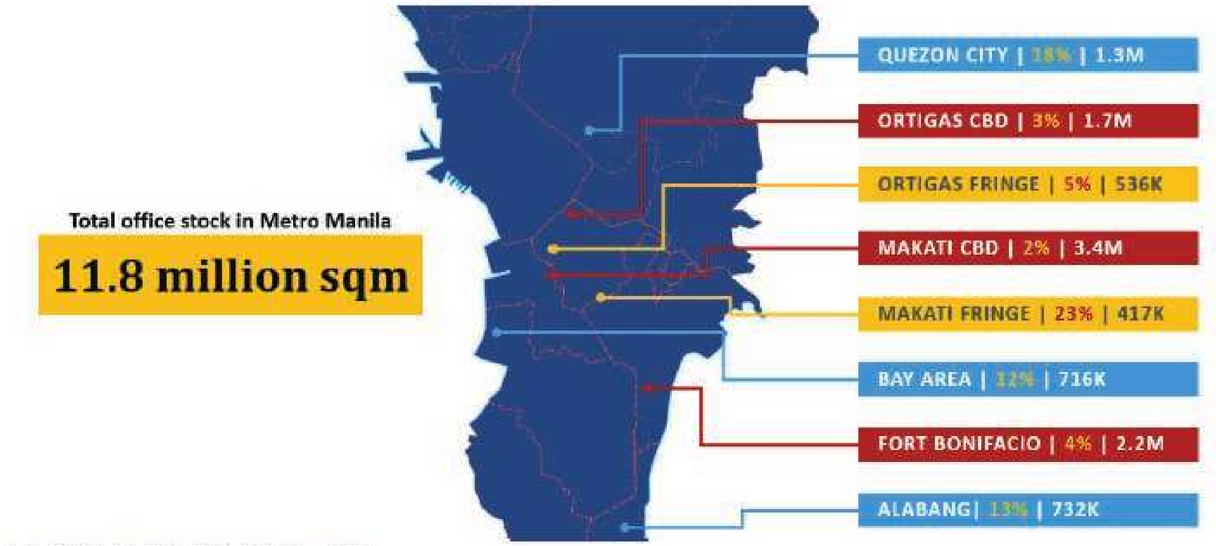
Criteria	Premium Grade	Grade A	Grade B
Site	Within CBD Core	Within the business district	Not on main or secondary avenues
	Quality access to/from main avenue	But not in the core area	Average accessibility
	Superior visibility from the main avenue	Good access to/from main avenue/secondary avenue	Average visibility
		Good visibility	
Building Size (Gross Floor Area)	Total floor area above 55,000 sq.m (gross floor area)	Total floor area above 40,000 sq.m (gross floor area)	Any size
Floor Plate & Layout	1,500 sq.m (gross floor area or above)	1,000 sq.m (gross floor area or above)	Less than 1,000 sq.m (gross floor area or above)
	Column-free	Largely Column-free	
General Finish	Landmark building	Good view/look	Easy access to high street
	Iconic structure	Direct access to high street	High quality presentation and maintenance
	Good view/look	High quality presentation and maintenance	
	Direct access to high street		
	Premium presentation and maintenance		
Exterior Finish	Energy efficient-solar reflective window glass	Energy efficient-solar reflective window glass	Average exterior finish
	Curtain wall system on four sides	Curtain wall system on two sides	No curtain wall system/concrete walls
	Superior building materials	High quality building materials	

Criteria	Premium Grade	Grade A	Grade B
Interior Finish	Massive two-level lobby with high ceiling	Good size lobby (2 level & below) with moderate ceiling height	Low ceiling lobby
	5 to 6 star quality	4 star quality; first class interior finishing of office and common areas	Average interior finishing
	Prestige interior finishing of office and common areas		
Rental and Capital Value	Pace or trend setter	Above average	Average
Efficiency (single floor tenant) Gross to Net useable	75% and over	Over 70%	Over 60%
Finished floor to ceiling clearance	2.7 meters or more	2.7 meters	2.5 meters
Construction Cost (excluding land cost)	US$1,000 per sq.m or more	US$800 or more	Below US$800
Ownership	Single ownership	Single ownership	Single ownership or strata titled investors
Technical Services			
Property Management	Reputable international firm	Reputable international or local firm	Average management firm or in-house team
Fire System	FAS	FAS	Average fire prevention system
	Sprinklers	Sprinklers	Limited availability of smoke detection and sprinkler systems
	Smoke detector	Smoke detector	
	Stairwell pressurization	Stairwell pressurization	
	Fire pumps with redundancy	Fire pumps with redundancy	
Building Intelligence	High quality building automation system	Building automation system	Manned security with monitoring system
	24-hr access with card keys	24-hr access with card keys	

Source: Colliers International Research

Overall Metro Manila Office Stock

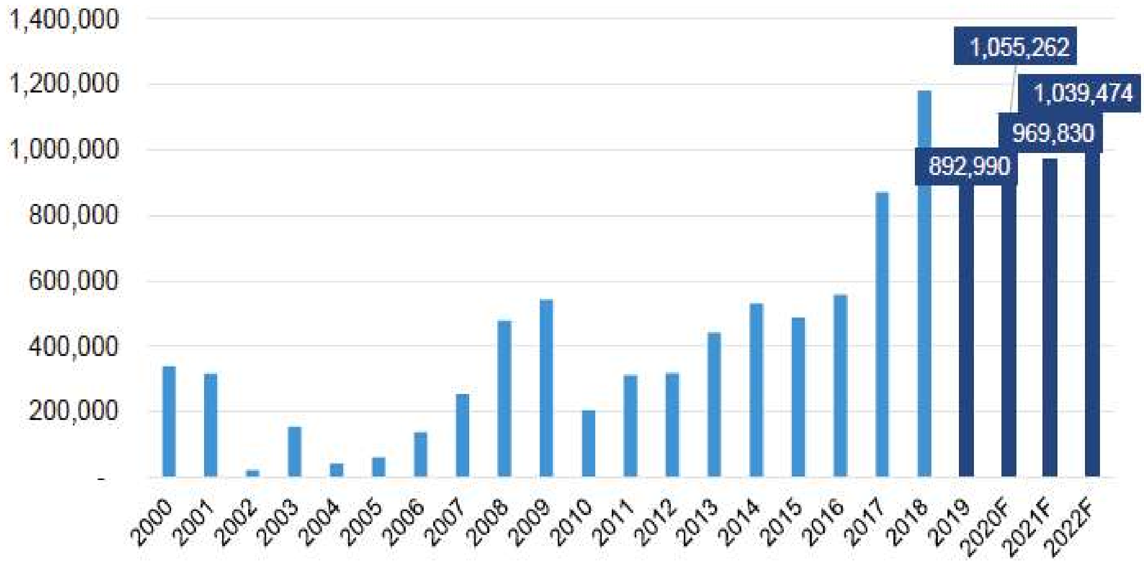
A total of 11.8 million sq.m. of leasable space were completed in Metro Manila in 2019. Makati CBD covers the largest share of office stock with 3.4 million sq.m. of office space or a 28% share of the market, followed by Fort Bonifacio with 2.2 million sq.m., or a little less than 20% share, and Ortigas Center dropping to third with 1.7 million sq.m. of office space. Due to lack of developable space in Makati CBD and Fort Bonifacio, most of the additional supply for office space were seen in the Bay Area with 125K sq.m., Ortigas Center with 118K sq.m., and Quezon City having the largest new supply with 184K sq.m. in 2019.



Source: Colliers International Research

**Percentage refer to Y-o-Y Growth (2018-2019)*

The growth of supply for office space has been consistent with a YoY growth ranging from 5-10% from 2011 to 2016. Double-digit growth in supply was first seen in 2017 with the office supply growing by 10% from 8.9 million sq.m. of the total stock in 2016 to 9.8 million sq.m.. The total stock has continued to grow in double digits as it completed 1.2 million sq.m. of office space in 2018 and an additional 900,000 sq.m. in 2019.



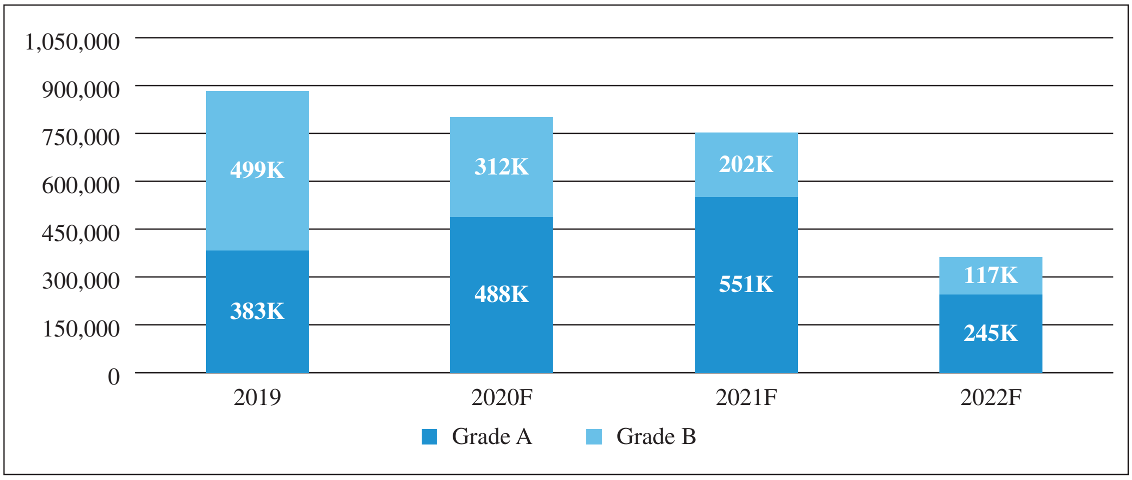
Source: Colliers International Research

Among the CBDs, the largest growth for supply of office space during the fourth quarter of 2019 was seen in the Makati Fringe area. Total leasable area increased by 23% from 319,955 sq.m. in 2018 to 417,663 sq.m. in 2019 with the completion of four new buildings. The Bay Area followed by as it grew by 16%, and Alabang and Quezon City increased its total supply by 13% each.

Makati CBD will remain to be the largest CBD in terms of stock and expected to deliver a total of 3.6 million sq.m of office space by end-2022 while Fort Bonifacio is expected to have a total of 2.8 million sq.m.. on the same year. Due to a smaller base figure from end-2019 compared to the fully developed CBDs, the highest growth are anticipated in emerging CBDs such as the Bay Area and the Makati Fringe.

Location	END 2019	2020F	2021F	2022F	Total	% Change (2019 v 2022)
Makati CBD	3,352,946	76,489	117,254	25,000	3,571,689	6.5%
Makati Fringe	417,663	89,516	35,136	82,983	625,298	49.7%
Fort Bonifacio	2,231,435	294,219	89,104	151,150	2,765,908	24.0%
Ortigas Center	1,839,839	149,232	335,455	121,221	2,445,747	32.9%
Ortigas Fringe	535,760	89,007	-	-	624,767	16.6%
Bay Area	798,585	240,009	161,235	165,585	1,365,415	71.0%
Alabang	731,921	69,228	77,799	30,960	909,909	24.3%
Quezon City	1,432,559	67,886	35,200	213,187	1,748,832	22.1%
Other locations	523,406	1,215	108,004	229,138	861,763	64.6%
Total	11,864,114	1,076,802	959,187	1,019,224	14,919,327	25.8%

Source: Colliers International Research

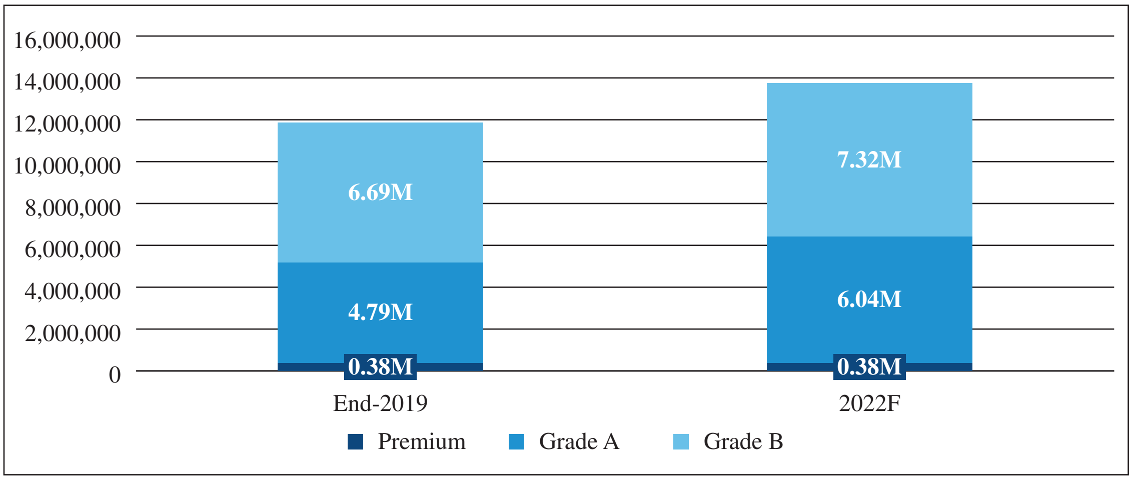


Source: Colliers International Research

**Based on Leasable Area*

Unclassified office buildings were excluded

In 2019, 56% of the buildings delivered is classified as Grade B offices, the remaining portion of the 882K new supply of leasable space is classified as Grade A. There were eight buildings with a total space of 177K sq.m. that were scheduled for completion in 2019 that was delayed to the first quarter of 2020. Due to these delays, between 2020 and 2021, the Grade A buildings will receive a bigger chunk of the expected supply and grow by almost a million sq.m. more just within this period.



Source: Colliers International Research

**Based on Leasable Area*

Unclassified office buildings were excluded

From 2019 to 2021, Grade A offices will grow the most among the three (3) classifications which is at 21%, while the Grade B offices will rise by 9%. No Premium buildings are in the pipeline from 2019 to 2022 at the time of the study.

Top Developers – Metro Manila Office Market

By the end of 2019, Ayala Land maintains its position as the top office developer in Metro Manila overtaking Megaworld, who dominated the office market until the second Quarter of 2018. Out of the 13 million sq.m. of gross office space, 9.28% are developed by Ayala Land, Megaworld has a 7.28% share while Filinvest has a smaller share at 4.98%.

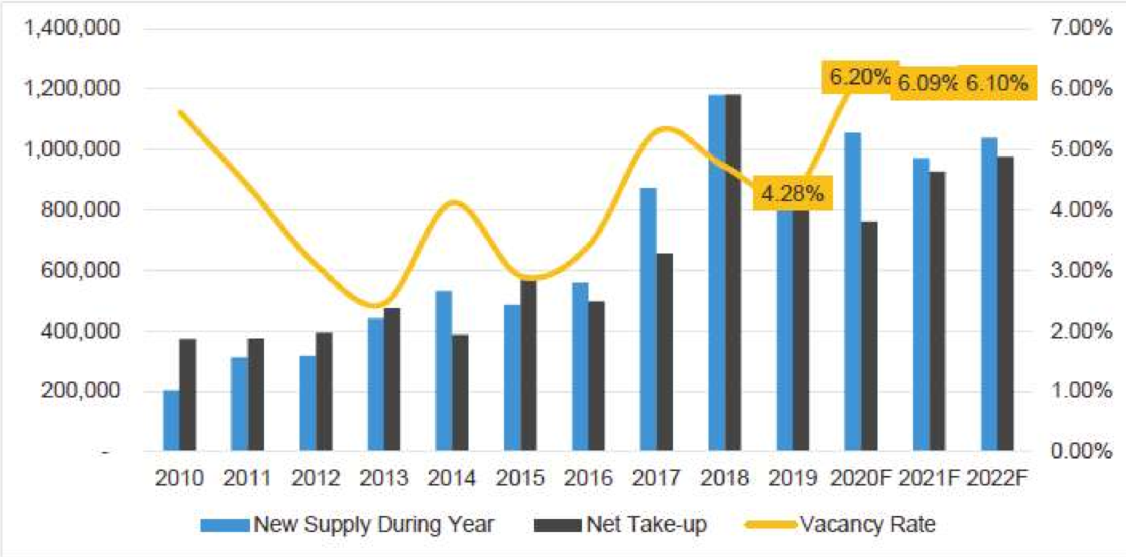
In 2022, Ayala will continue to have the largest share among the top developers, further increasing its market share to almost 11%. Megaworld will still have the second-largest share, with 8%. SM Investments will have the most significant jump in terms of ranking and office space, adding a little over 500,000 sq.m. to their inventory, rising to third, eclipsing the 948,000 sq.m. of Filinvest and 727,000 sq.m. of Robinsons Land, for a 6.8% share of the market.

Developer	Total Supply as of End-2019 (GFA, in sq. m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq. m.)	Market Share (End-2022F)
Ayala Land	1,312,798	9.28%	1,734,690	10.67%
Megaworld	1,030,377	7.28%	1,304,187	8.02%
Filinvest	704,808	4.98%	948,392	5.83%
Robinsons Land	678,152	4.79%	727,645	4.47%
SM Investments	590,539	4.17%	1,105,730	6.80%
Araneta	316,400	2.24%	405,000	2.49%
NET Group	305,598	2.16%	305,598	1.88%
Others	9,207,860	65.09%	9,731,389	59.84%
Grand Total	14,146,533	100.00%	16,262,631	100.00%

Source: Colliers International Research

Overall Supply and Demand

In 2019, take-up dropped to an 8% growth as compared to the 2018 figures which was a record-high of a 12% growth. The decline are mostly due to the lower completions for the year with net take-ups following in-step with the supply. Vacancy was at 4.28% by end-2019, this showed that the new supply of 1.1 Mn.sq.m. of office space in 2018 and the 892,000 sq.m. in 2019 were absorbed by the office market. In 2020, at least a total of a million sq.m. are estimated to be completed which will slightly bump up the vacancy to 6.10% until 2022.



Source: Colliers International Research

The most significant chunk of the transactions during the year came from the Bay Area, holding 21% of the total recorded transactions, followed by an 18% share of the transactions in Quezon City and a 10% share, each for Makati CBD and Ortigas Center. At least 11% of the 1.4 million sq.m. of the recorded transactions are in Fort Bonifacio.

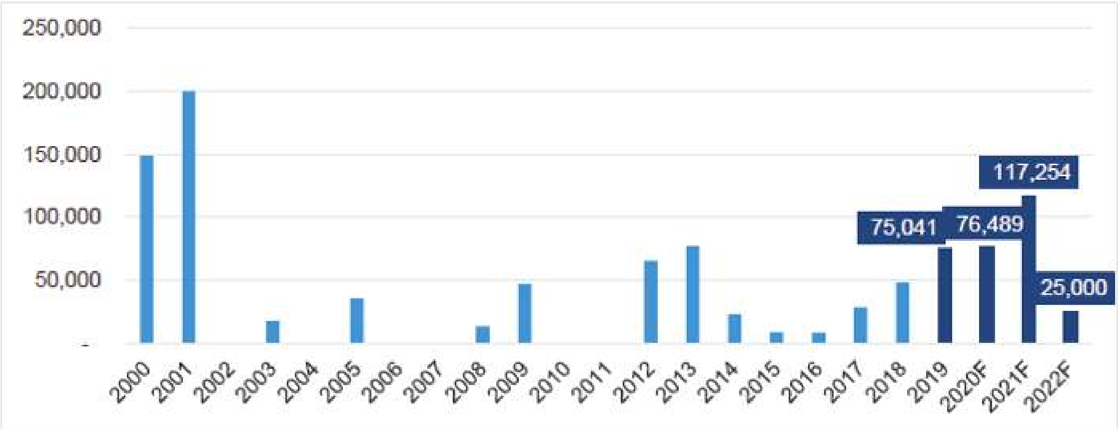
With a forecasted completion of around 3.5 million sq.m. of the gross leasable office space by 2022, the vacancy is expected to rise to around 6.10%, this is the same vacancy level in 2010. However, this is still considered a healthy vacancy rate. As companies continue to consolidate their offices, companies will have more choices from these new office buildings that provide higher quality developments. Companies who move for higher-quality office space will have an adequate choice, while developers and landlords will still have enough control with regards to rent.

OFFICE FOR LEASE MARKET RESEARCH

Makati CBD

Makati CBD supply and demand

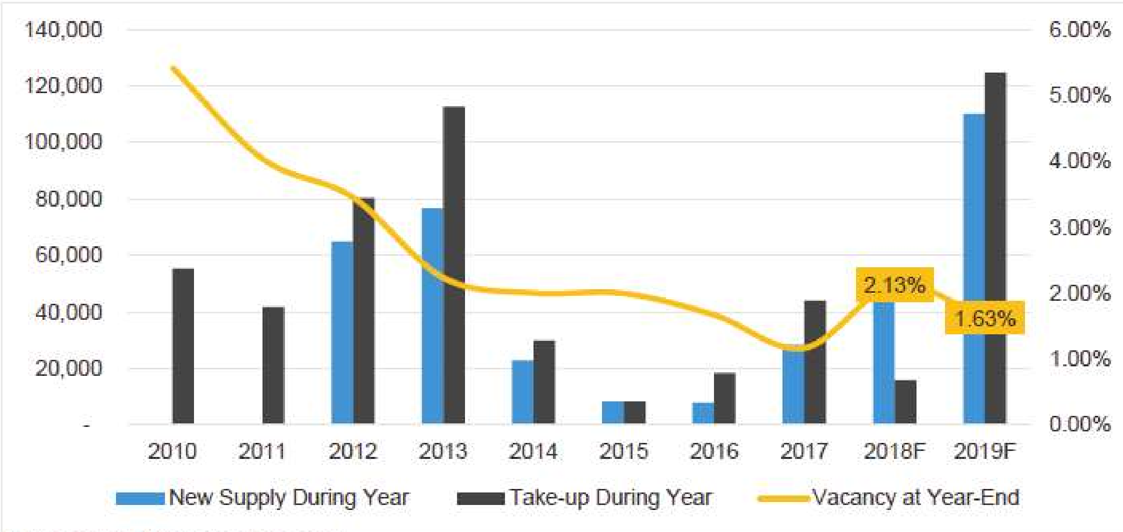
Makati CBD is among the CBDs that will experience the slowest growth in the next three years (2020F-2022F) due to its built-up nature. The central business district has only been averaging around 29,000 sq.m. of additional office space since 2010. However, as developers take over under-utilized buildings and redeveloping them into newer office spaces, the average additional space per year beginning 2019 will rise to 97,000 sq.m. up to 2021.



Source: Colliers International Research

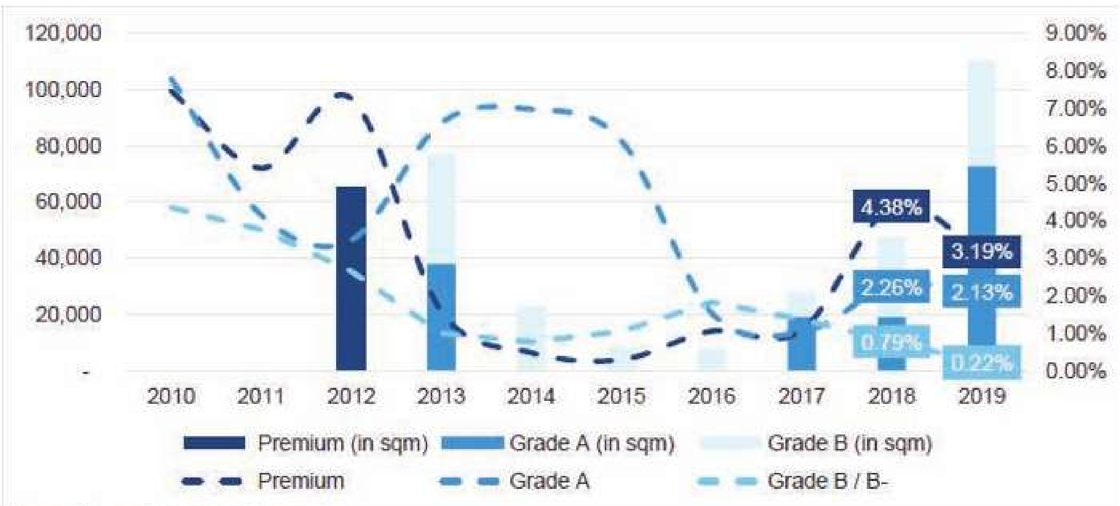
Makati CBD still remains to be one of the more preferred locations for office spaces, and it is evident with the continued low vacancy, even with additional stock coming in. In 2017, the vacancy rate is minimal at 1.17%, which increased marginally to 2.13% by the end of 2018, primarily due to the new stock that went online during the year. Vacancy further decreased to 1.63% in 2019 as newly completed office space was taken-up, including the spaces in NEX Tower, One Ayala Tower 1, Ayala Triangle Gardens, and the Salcedo Towers.

A total of five (5) buildings were completed in 2018, the biggest being the Ayala North Exchange HQ by Ayala Land, adding a total of 19,500 sq.m. of leasable space. Other completions include M1 Tower, Luz Building, Frabelle Salcedo, and Liberty Plaza. In 2019, a total of three (3) buildings were completed which includes the serviced apartments and BPO office components of Ayala North Exchange BPO Citygate, 223 Salcedo, and NEX Tower for a total of 75,000 sq.m.



Since the completion of the Zuellig Building in the third quarter of 2012, adding 65,000 sq.m. of office space, no other Premium-grade building has been turned over in the Makati CBD. On the other hand, Grade B buildings have been churning out a steady stream of supply of around 21,000 sq.m. each year since 2013. Grade A building completions meanwhile are few and far between, adding units in 2013, 2017 to 2019.

Source: Colliers International Research



Source: Colliers International Research

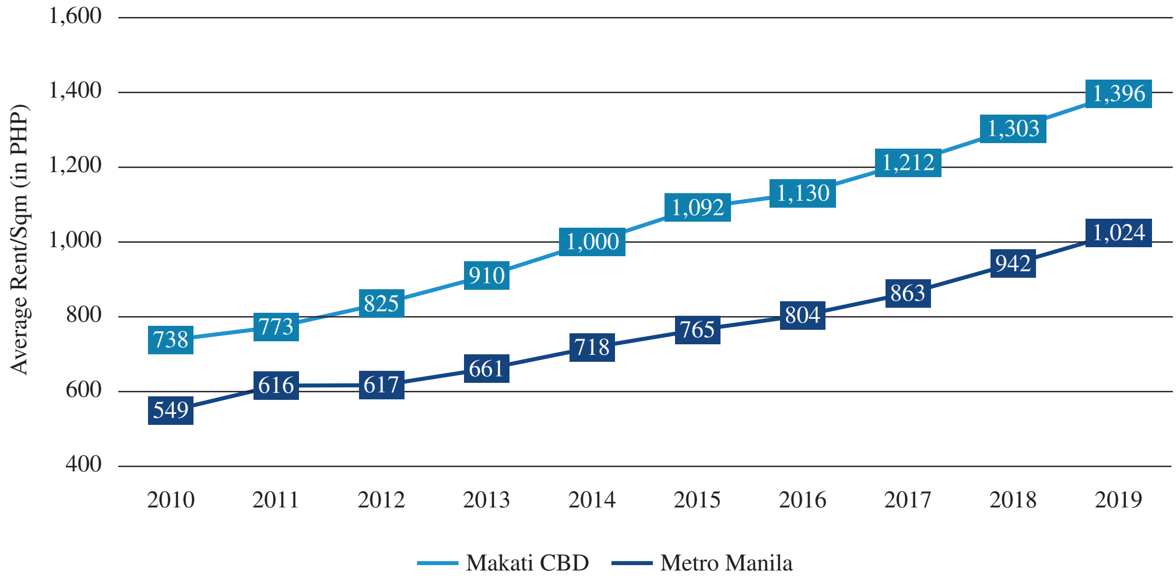
The vacancies of Grade B buildings remain at a minimum which recorded a vacancy rate of less than 1% by end-2019. Meanwhile, Grade A vacancies slightly decreased to 2.13% as the new supply of office spaces were pre-leased. Premium buildings recorded a vacancy rate of 3.19%. Vacancies in Tower One & Exchange Plaza were due to movements to the new PSE Tower in Fort Bonifacio, while UNDP moved from RCBC Plaza to Rockwell Sheridan Towers in Mandaluyong for cheaper rent.

Lease Rates

Building Grade	Headline		Transacted	
	Min.	Max	Min.	Max
Premium	1,300	1,950	1,200	1,860
Grade A	1,000	1,800	900	1,700
Grade B	600	1,500	500	1,500

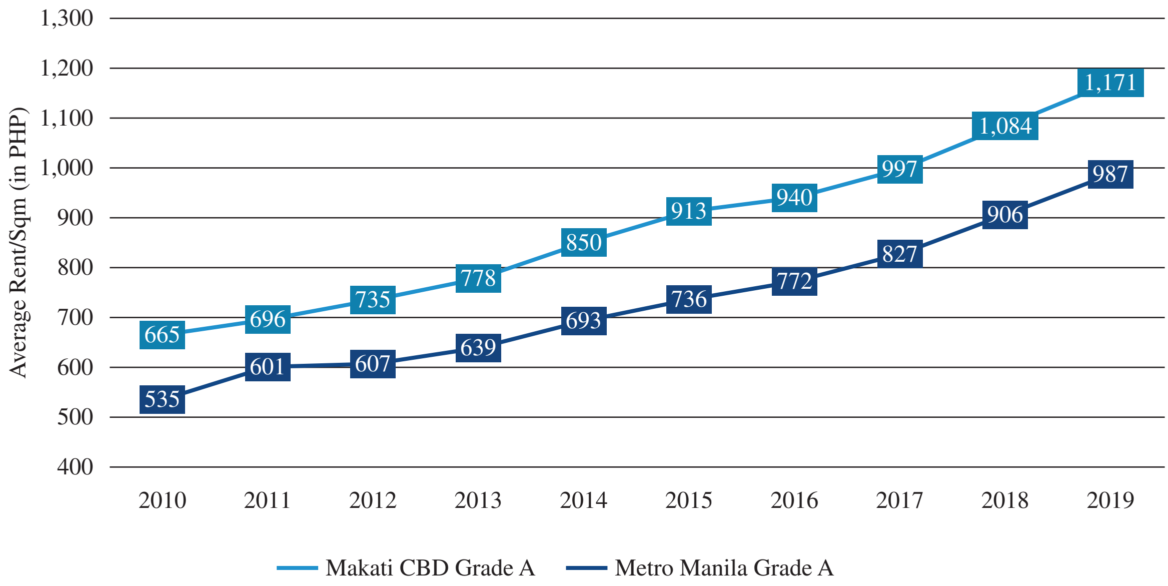
Source: Colliers International Research

Premium buildings command the highest rates ranging from Php1,300 to Php1,950 per sq.m. for its headline rates. Transacted rates meanwhile range from Php1,200 to Php1,860 per sq.m.. Grade A headline rates are not far behind as it ranges from Php1,000 to Php1,800 per sq.m., while its transacted rates are around Php900 to Php1,700 per sq.m.



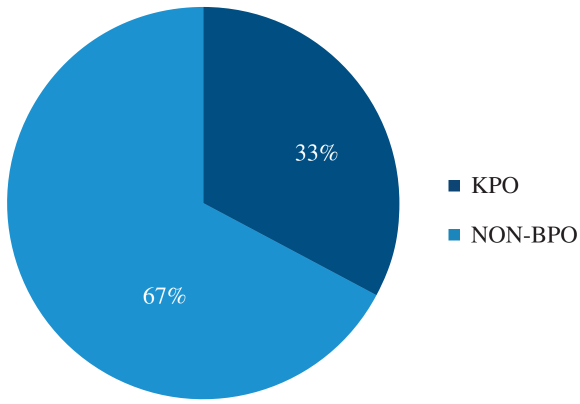
Source: Colliers International Research

Based on historical trend, average lease rates in Makati CBD has a CAGR of 7.34% from Php738 per square meter in 2010 to Php1,396 as of end-2019. This is 36.3% higher than the average lease rate for office spaces in Metro Manila.



Based on historical trend, average lease rates for Grade A office spaces in Makati CBD has a CAGR of 6.5% from Php665 per sq.m. in 2010 to Php1,171 as of end-2019. This is 18.6% higher than the average lease rate for office spaces in Metro Manila.

2019 Transactions



Source: Colliers International Research

** Based on size of transaction*

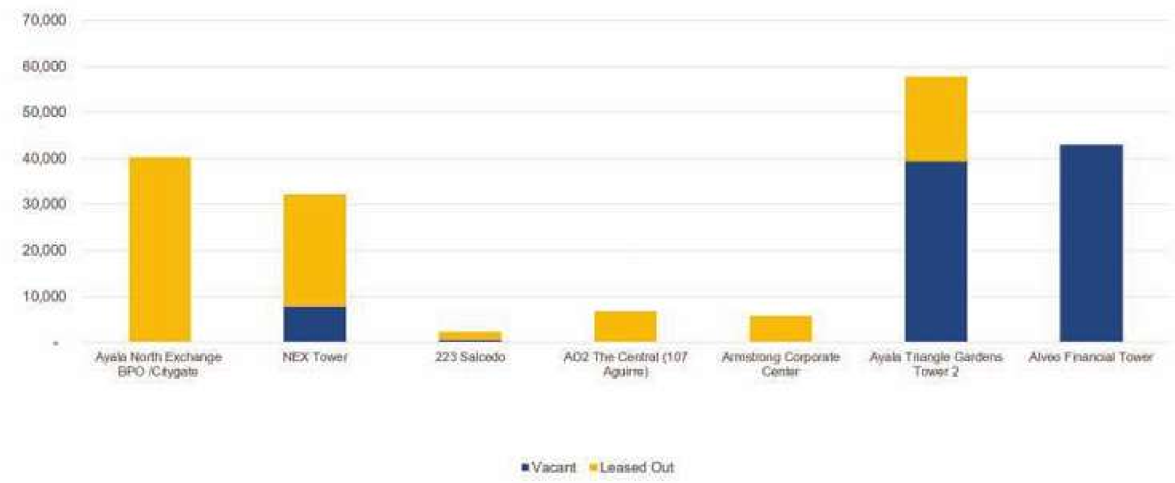
As the premier central business district, Makati CBD still attracts more non-BPO clients, accounting for 67% of the total transactions in 2019. KPO meanwhile makes up 33%. There were no gaming-related transactions recorded in Makati CBD in 2019. *Tech industry-related businesses* took up more space in 2019 with a 34% share, this is followed by *Flexible Workspace* with a 33% share.

Notable transactions in 2019 are Microsoft Philippines, taking up a total of 2,000 sq.m. in One Ayala Tower 1 and, The Executive Centre (a flexible/coworking space) taking up at least 3,700 sq.m. in Ayala Triangle Gardens and RCBC Plaza.

Pre-Leasing Status

Due to the limited new supply of office space in Makati CBD annually, pent-up demand is strong as of the fourth quarter of 2019. Among the buildings that were completed in 2019 were Ayala Land's North Exchange BPO Tower that is already at 100% occupancy and mostly taken up by BPO companies. 223 Salcedo, has 100% occupancy, while NEX Tower is already 76% leased, and most of which were leased by traditional/non-BPO companies.

The buildings to be completed in 2020 are still largely vacant. It must be noted that Alveo Financial Tower was sold as a strata-titled office building, which means buyers may opt to use their unit instead of leasing it out. Until this tower is turned over, occupancy rates will be hard to determine.



Note: Based on signed Terms of Reference and Paid Reservation Fees

Source: Colliers International Research

Top developers

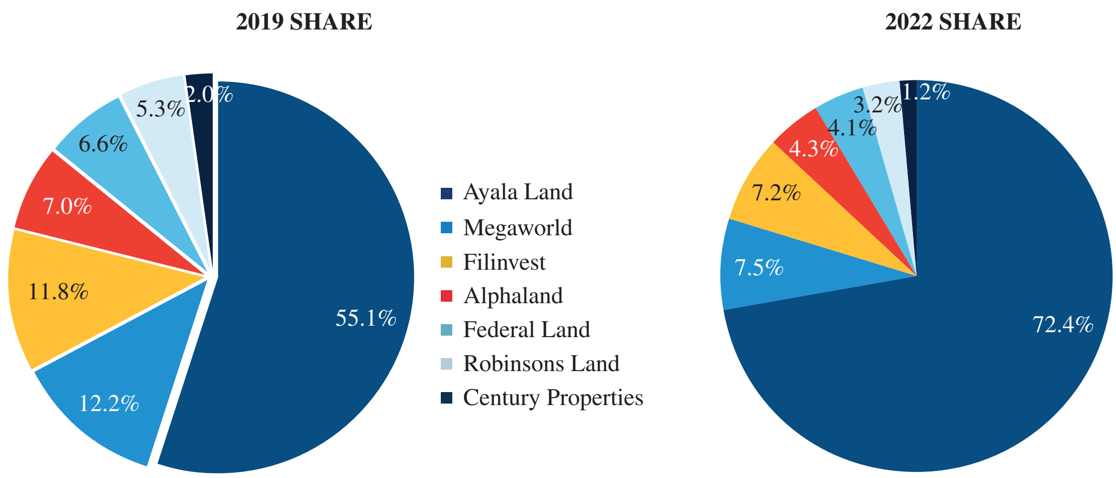
As the primary developer of the Makati CBD, Ayala Land controls the office market, delivering 406,403 sq.m. of gross office space by the end of 2019. This is equivalent to a total of a 55% share of the market, compared to other major developers, and 10.0% overall (including other developers). Far second in the ranking is Megaworld, which has almost 90,000 sq.m., or less than half of what Ayala Land has built. Filinvest comes in at third with an 11.8% share, and Alphaland with a 7% share of the market. Rounding up the Top Five are Federal Land, with a 6.6% share of the market share. The rest of the office buildings in Makati CBD were built by smaller property developers.

Developer	Total Supply as of End-2019 (GFA, in sq. m.)	Market Share* (End-2019)	Total Supply as of End-2022F (GFA, in sq. m.)	Market Share* (End-2022F)
Ayala Land	406,403	55.1%	871,777	72.4%
Megaworld	89,851	12.2%	89,851	7.5%
Filinvest	86,836	11.8%	86,836	7.2%
Alphaland	52,006	7.0%	52,006	4.3%
Federal Land	48,858	6.6%	48,858	4.1%
Robinsons Land	39,000	5.3%	39,000	3.2%
Century Properties	15,000	2.0%	15,000	1.2%
Subtotal	**737,954**		**1,203,328**	
Others	***3,367,913***		***3,529,214***	
Grand Total	**4,105,868**	**100.00%**	**4,732,542**	**100.00%**

Source: Colliers International Research

*Note: * Market share computed from the top 7 developers in Makati CBD.*

By end-2022, Ayala will still dominate all other developers in Makati CBD, with an increased share of almost 17% (based on Gross Floor Area), increasing their total office space inventory in Makati CBD to 871,777 sq.m. (including the Alveo Land developments). No other big developer will have additional inventory during this time.



Source: Colliers International Research

** Based on Gross Floor Areas*

Note: Market share vs. major developers only

AYALA LAND CORNERS THE MAKATI CBD MARKET

Administer Prime Areas In Makati CBD.

Makati remains to be a prime address, and land values continue to increase given the dearth of developable land. As the biggest shareholder in Makati Commercial Estate Association (MACEA), Ayala Land is able to administer the prime areas in Makati CBD, namely the remaining lots along Ayala Avenue and Makati Avenue. This is in terms of land uses and zoning classifications. This is a big advantage given market conditions, not to mention that it helps them in phasing and launching new developments in the city.

Proven Track Record.

Working closely with MACEA, Ayala Land is able to continuously improve their already proven track record. This is not only in terms of project developments, but also in terms of uplifting the community with their collaborative activities that give people something to look forward to. To name a few are weekend markets, redeveloped pocket parks and walkways, free street fitness activities, Makati Street Meets that has music & food & retail shops, a new transportation hub in its upcoming project across Glorietta, and so on.

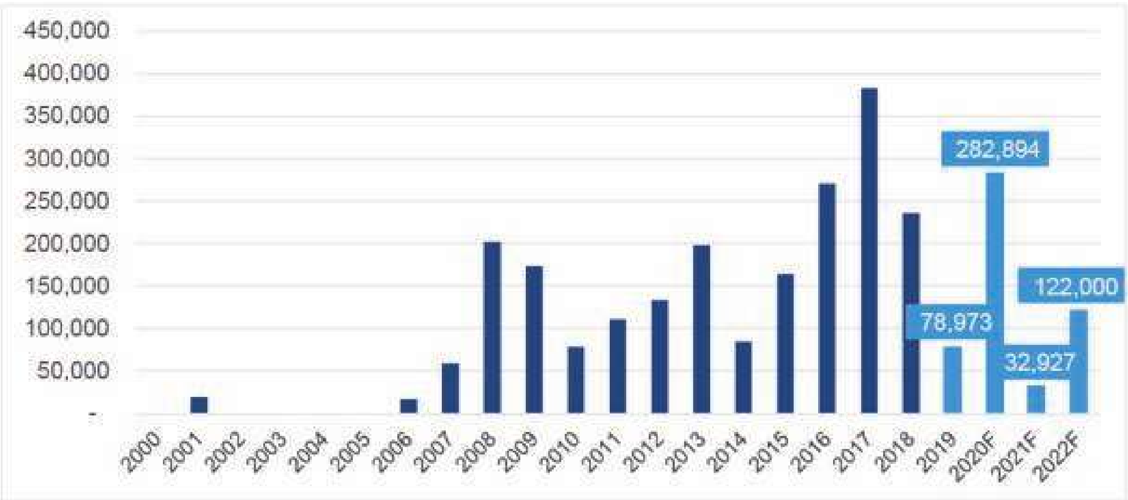
Top Office Developer In Metro Manila.

As of 2019, Ayala Land currently has the biggest supply of office space in Metro Manila with roughly 930,000 sq.m. of leasable office space. Based on upcoming offices in the pipeline, Ayala Land will remain as the market leader until 2024 as it targets a total of 1.2 million sqm of leasable office space.

FORT BONIFACIO

Fort Bonifacio Supply And Demand

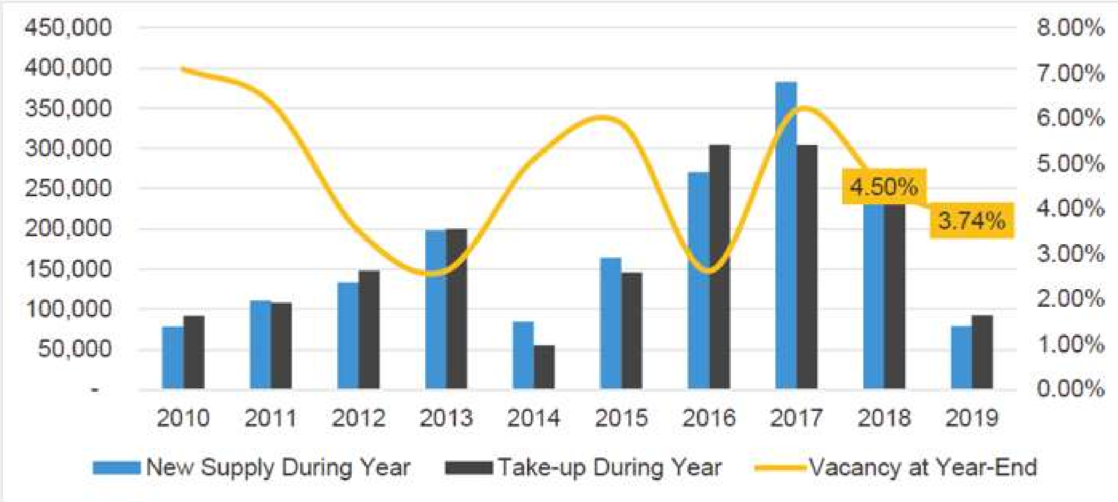
Since there is more developable land in Fort Bonifacio, unlike its peer on the other side of EDSA, this CBD has consistently added new office space to its stock every year since 2006. The annual average new supply in Fort Bonifacio is at 160,000 sq.m. or around seven (7) buildings each year. This was expected from Fort Bonifacio as an alternative central business district to Makati CBD.



Source: Colliers International Research

In 2017, Fort Bonifacio overtook Ortigas CBD in terms of office stock, having a total of 1.9 million sq.m. of leasable office space, compared to only 1.6 million in the Ortigas CBD. This was also the year when the Fort Bonifacio breached the 350,000 sq.m.-mark, recording the largest amount of office space that was turned over at 380,000 sq.m. in 13 buildings.

Between the years 2019 and 2022 however, a slowdown will be expected with only 10 more buildings in the pipeline. It should be noted that while the growth is slower compared to its historical growth, it is still significantly faster than the growth experienced by other business districts in Metro Manila. Fort Bonifacio grew by an average of 20% each year in the past twenty years, for office developments, this is expected to slow down to a 5% growth each year from 2019-2022. This is a positive result of the rapid development in Fort Bonifacio and the continued strong demand for office spaces in this business district.



Source: Colliers International Research

Vacancy levels in Fort Bonifacio increased significantly during the 2016-2017 period, registering a 3.6% increase from the previous 2.63% vacancy. Take-up levels were in the 300,000 sq.m. mark, same with 2016, but the overhang from the previous year plus new supply contributed greatly to the increase in vacancy in 2017. Continuous strong demand and a smaller number of additional stock in 2018 meanwhile caused vacancy to dip to 4.5% by year-end and 3.74% by end-2019.

Grade A vacancies as of end-2019 are at 2.7%, an improvement from the 5.34% vacancy in 2018. Grade B offices meanwhile increased its vacancy from 2.82% to 5.63% with the completion of more than 70,000 sq.m. of office space at the end-2019. No new additional supply of Grade A spaces was supplied in 2019.

Source: Colliers International Research

Lease Rates

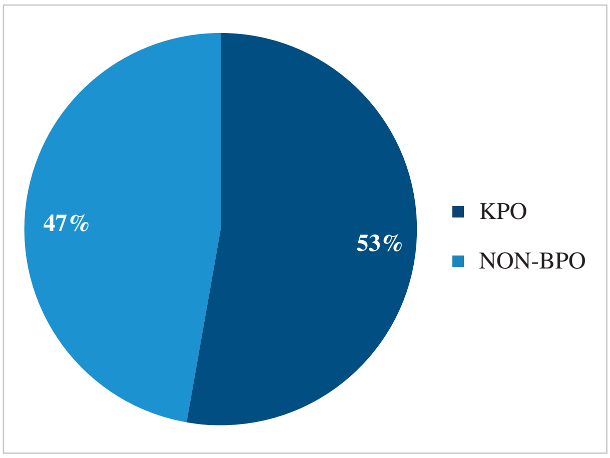
Lease rates for Grade A and B buildings have very little disparity, with the Grade A buildings' lease rates ranging from Php1,000 to Php2,000 per sq.m. for their headline rates, while Grade B's are from Php1,000 to Php1,800. Buildings such as RCBC Bank Corporation and One World Place by Daiichi Properties are those offering the most expensive lease rates, at Php2,000 for their headline rates.

Building Grade	Headline		Transacted	
	Min.	Max	Min.	Max
Grade A	1,000	2,000	850	1,500
Grade B	1,000	1,800	740	1,450

Source: Colliers International Research

2019 Transactions

KPOs accounted for the bulk (53%) of the total transaction in Fort Bonifacio in 2019, followed by the 47% traditional/non-BPO tenants. No gaming companies have been able to penetrate this CBD, except one (1) in McKinley, as the City of Taguig is one of the cities that do not give Letters of No Objection (LONO) for POGO licensees. Tech-related KPO companies took up 46% of the transactions for the year and then followed by flexible spaces with a 16% share.



Source: Colliers International Research

**Based on size of transaction*

JP Morgan (JPM) is one of the most notable transactions in 2018 in Fort Bonifacio, taking up a build-to-suit building by Megaworld to be completed in the fourth quarter of 2022. Please note, however, that this relocation happened before NET Building secured a pre-commitment from another tenant. Shopee also took up 11,100 sq.m. of space from the Asian Century Center and Net Park. Google also leased out two (2) more spaces, amounting to 9,500 sq.m., and Figari, occupying 8,000 sq.m. from The Curve. In 2019, some of the notable transactions included the expansion of Cognizant Technology Solutions with at least 4,000 sq.m. in McKinley Hill, Tenet Health with 148,000 sqm in second quarter, Shearwater Health with 6,000 sq.m., WeWork with 2,200 sq.m., Huawei with 4,300 sq.m. during the third quarter, and American Express with 26,600 during the fourth quarter. Given these transactions, the industries that took up space in Fort Bonifacio are mostly non-BPO businesses that are into Tech, Finance, and Health.

Pre-Leasing Status

Note: Based on signed Terms of Reference and Paid Reservation Fees

Source: Colliers International Research

Buildings to be completed in 2019 are currently 76% occupied, with Udenna Tower already 90% occupied, all by traditional/non-BPO companies. Ecoprime, meanwhile, has mostly Voice and KPO companies taking up their space, and currently, 64% occupied. The Brilliance Center, by NAPPCO, is already 100% occupied, while Milestone at Fifth Avenue (Mendrez Building) is 81% occupied. 2020 buildings for completion, on the other hand, are already 100% leased out.

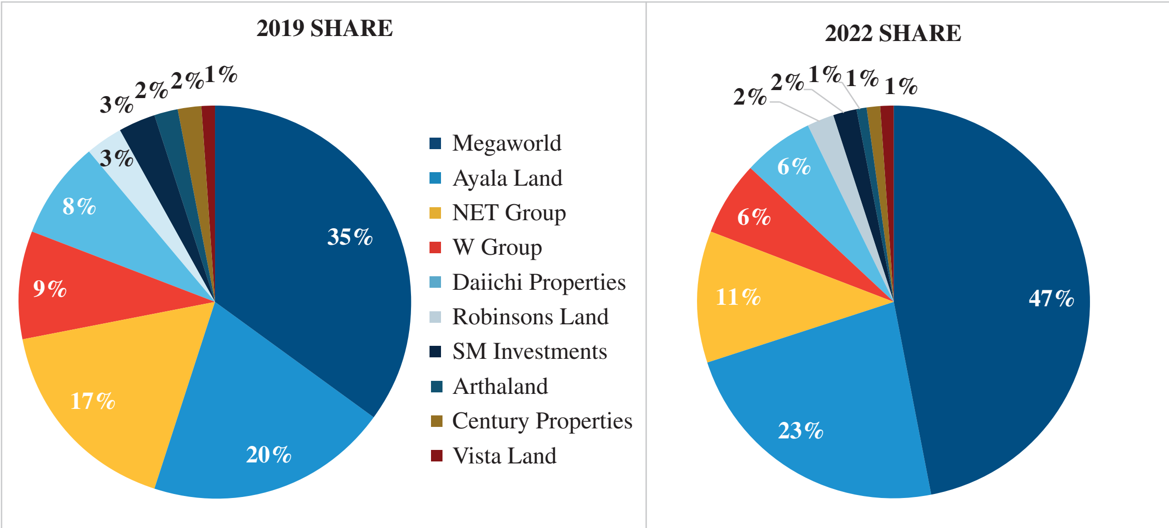
Top developers

As of the end-2019, Megaworld tops all developers in Fort Bonifacio, accounting for 35.2% supply in the CBD, as compared to the major developers. Ayala Land ranks second, having a total inventory of 355,497 sq.m. The NET Group, while selling some of their NET Buildings to SM Investments, is still one of the top office developers, with a total market share of 16.9%, or 305,598 sq.m. of gross floor area.

Developer	Total Supply as of End-2019 (GFA, in sq.m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq.m.)	Market Share (End-2022F)
Megaworld	634,751	35.2%	1,266,801	46.8%
Ayala Land	355,497	19.7%	626,561	23.1%
NET Group	305,598	16.9%	305,598	11.3%
W Group	165,186	9.2%	165,186	6.1%
Daiichi Properties	152,547	8.5%	152,547	5.6%
Robinsons Land	55,478	3.1%	55,478	2.0%
SM Investment	52,519	2.9%	52,519	1.9%
Arthland	34,292	1.9%	34,292	1.3%
Century Properties	29,503	1.6%	29,503	1.1%
Vista Land	19,810	1.1%	19,810	0.7%
Subtotal	**1,805,181**		**2,708,295**	
Others	**811,285**		**811,286**	
Grand Total	**2,616,466**	**100.0%**	**3,519,581**	**100.0%**

Source: Colliers International Research

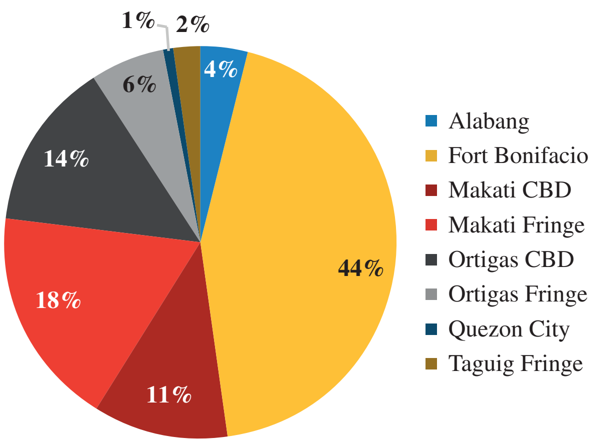
By the end of 2022, Megaworld will remain as the top developer in Fort Bonifacio, increasing their stock to 1.2 million sq.m., accounting for a little less than 50% of the total stock, still followed by Ayala Land, who will increase their share to 23.1% from 19.7% in 2019. Only these two (2) developers have prominent additions to the total stock, while the rest of the developers retained their inventories at the same level.



OFFICE FOR SALE MARKET RESEARCH

Stock

A total of 565,000 sq.m. of office space were put in the market for sale as of the fourth quarter of 2019. Fort Bonifacio, one of the newer CBDs, is the most predominant area, with 44% of the total office space sold being located in the area. This was followed by the Makati Fringe area and Ortigas CBD, having 18% and 14%, respectively.



Source: Colliers International Research

**Based on Leasable Arease*

Out of 21 buildings that were released in the market, 11 buildings are in the Makati CBD and Fort Bonifacio. Below is a list of the buildings and the office space floated in the market.

Buildings/Location	Total Office Space (sq.m)	Grade
Makati CBD	**63,423**	
Alveo Financial Tower	41,707	A
The Gentry Corporate Plaza	21,716	A
Fort Bonifacio	**249,505**	
Alveo Park Triangle Tower	29,917	A
Capital House	25,228	B
High Street South Corporate Plaza Tower 1	38,967	A
High Street South Corporate Plaza Tower 2	48,951	A
One Global Place	6,776	A
One Park Drive	20,665	B
One World Place	22,740	A
Park Triangle Corporate Plaza North Tower	40,912	A
The Finance Center	15,349	A
Total	**319,928**	

Source: Colliers International Research

The Gentry Corporate Plaze by Alveo Land is the newest among the buildings in the study area, launched in May of 2017. It is slightly smaller than its predecessor, Alveo Financial Tower, with a total saleable area of around 22,000 sq.m.

Unit Breakdown

Average leasable floor plate of the sold buildings is around 1,500 sq.m., with One World Place by Daiichi Properties and one of the first buildings that sold strata-titled offices, having the smallest average at a little over 1,000 sq.m.. On the other hand, High Street South Corporate Plaza Tower 1 by Alveo Land, has the largest average of almost 1,800 sq.m.. Consequently, it also has the most office space floated in the market; almost 50,000 sq.m..

Buildings/Location	Total Office Space (in sq.m.)	Average Leasable Floor Plate (in sq.m.)	Ave. Unit Cut (in sq.m.)
Makati CBD	**63,423**	**1,398**	**98**
Alveo Financial Tower	41,707	1,129	115
The Gentry Corporate Plaza	21,716	1,666	80
Fort Bonifacio	**249,505**	**1,472**	**142**
Alveo Park Triangle Tower	29,917	1,511	100
Capital House	25,228	1,328	62
High Street South Corporate Plaza Tower 1	38,967	1,767	95

Buildings/Location	Total Office Space (in sq.m.)	Average Leasable Floor Plate (in sq.m.)	Ave. Unit Cut (in sq.m.)
High Street South Corporate Plaza Tower 2	48,951	1,632	95
One Global Place	6,776	1,027	315
One Park Drive	20,665	1,590	65
One World Place	22,740	1,034	170
Park Triangle Corporate Plaza North Tower	40,912	1,705	120
The Finance Center	15,349	1,650	260
Total	***312,928***	***1,458***	***134***

Source: Colliers International Research

** Based on Net Leasable Areas*

Average unit cuts range from 62 sq.m. to as much as 315 sq.m., with options to buy whole floors for some offices. Fort Bonifacio buildings have a wider array of unit cuts as compared to Makati CBD, with some units in Fort Bonifacio having cuts of more than 300 sq.m.

Buildings/Location	Less than 50 sq.m	51 - 100 sq.m	101 - 150 sq.m	151 - 200 sq.m	201 - 250 sq.m	251 - 300 sq.m	More than 300 sq.m
Makati CBD	**0%**	**20%**	**73%**	**4%**	**4%**	**0%**	**0%**
Alveo Financial Tower			100%				
The Gentry Corporate Plaza		63%	13%	12%	12%		
Fort Bonifacio	**0%**	**41%**	**31%**	**19%**	**2%**	**6%**	**1%**
Alveo Park Triangle Tower		13.9%	75.5%	10.0%	0.3%		0.3%
Capital House		16%	12%	72%			
High Street South Corporate Plaza Tower 1		62%	6%	22%		9%	
High Street South Corporate Plaza Tower 2		52%	11%	33%	3%		
One Park Drive		65%	35%				
One World Place			17%	17%	26%	26%	14%
Park Triangle Corporate Plaza North Tower		45%	24%	21%		9%	
The Finance Center			26%			65%	9%
Total	***0%***	***36%***	***41%***	***15%***	***3%***	***4%***	***1%***

Source: Colliers International Research

** Based on Number of Units per cut range*

Overall, the 101-150 sq.m. unit cut is the most predominant unit cut in all buildings that sold office units, followed by the 51-100 sq.m. unit cut. Spaces larger than 200 sq.m. constitute only 6% of the market, and are usually found in buildings developed and sold by Daiichi Properties.

Take-up Rates

As of the fourth quarter of 2019, all office spaces that were floated in the market are completely sold out, indicating strong demand for the office market. Anecdotal data suggest that most of the buyers are investors diversifying their portfolio of investments and are repeat buyers of the same brand. A smaller portion of those who bought units will actually end up using it as their offices.

Buildings/Location	2014	2015	2016	2018	2019
Makati CBD		**63%**	**97%**	**100%**	**100%**
Alveo Financial Tower		63%	97%	100%	100%
The Gentry Corporate Plaza				100%	100%
Fort Bonifacio	**80%**	**97%**	**98%**	**100%**	**100%**
Alveo Park Triangle Tower			94%	100%	100%
Capital House	26%	86%	96%	100%	100%
High Street South Corporate Plaza Tower 1	100%	100%	100%	100%	100%
High Street South Corporate Plaza Tower 2	100%	100%	100%	100%	100%
One Global Place				100%	100%
One Park Drive	78%	94%	100%	100%	100%
One World Place	100%	100%	100%	100%	100%
Park Triangle Corporate Plaza North Tower	79%	100%	97%	100%	100%
The Finance Center				100%	100%
Total	***80%***	***92%***	***98%***	***100%***	***100%***

Source: Colliers International Research

Selling Price and Terms

The latest selling price of office units on a per sq.m. basis is at Php182,000, amounting to Php27 million for a 134 sq.m. unit. The most expensive is The Gentry Corporate Plaza, which is the newest building launched among the buildings covered. High Street Corporate Plaza Towers 1 and 2, and One World Place, on the other hand are the cheapest, and also the oldest of the sample population. Since the buildings in Fort Bonifacio are already sold out, the most recent indication of current selling price is Arthaland's Savvy Financial Center located in Arca South and selling at an average of Php237,892 per sq.m. or Php36 million per unit.

Buildings/Location	Total Office Space (in sq.m.)	Ave. P/Sq.m. (in ₱)	Ave. TCP (in ₱)	Ave. Unit Cut (in sq.m.)	No. of Mos. Actively Selling**
Makati CBD	**63,423**	**254,950**	**23,330,805**	**98**	
Alveo Financial Tower	41,707	225,507	23,910,169	115	21
The Gentry Corporate Plaza	21,716	284,393	22,751,440	80	n.a.
Fort Bonifacio	**249,505**	**166,054**	**27,901,623**	**142**	
Alveo Park Triangle Tower	29,917	202,662	27,918,229	100	42
Capital House	25,228	154,370	15,243,512	62	36
High Street South Corporate Plaza Tower 1	38,967	133,926	24,854,386	95	3
High Street South Corporate Plaza Tower 2	48,951	133,926	15,283,496	95	15
One Global Place	6,776	178,915	56,400,000	315	n.a.
One Park Drive	20,665	156,855	14,362,503	65	33
One World Place	22,740	135,528	23,456,344	170	39
Park Triangle Corporate Plaza North Tower	40,912	210,800	24,796,136	120	24
The Finance Center	15,349	187,500	48,800,000	260	n.a.
Total	***312,928***	***182,217***	***27,070,565***	***134***	

Source: Colliers International Research

** Based on Leasable Areas*

*** No. of months actively selling before reaching 100% sold*

Payment terms for offices for sale are not as flexible as residential condominium units are. Downpayment are usually paid in a month's time and the balance is spread at a maximum of ten (10) years. Cash discounts meanwhile ranges around 7-8%.

Building	Reservation Fee	Down payment	Term	Balance	Term	Cash Discount
Makati CBD	***200,000***	***10%***	***1***	***90%***	***48***	***7%***
Alveo Financial Tower	200,000	10%	1	90%	48	7%
The Gentry Corporate Plaza	200,000	10%	1	90%	60	8%
Fort Bonifacio	***100,000***	***30%***	***1***	***70%***	***48***	***8%***
High Street South Corporate Plaza Tower 1	100,000	30%	1	70%	48	8%
High Street South Corporate Plaza Tower 2	100,000	30%	1	70%	48	8%
One Park Drive	100,000	20%	24	80%	1	0%
One World Place	500,000	15%	1	85%	18	0%
Park Triangle Corporate Plaza North Tower	100,000	30%	1	70%	48	7%
Capital House	100,000	20%	24	80%	1	0%
Alveo Park Triangle Tower	200,000	10%	1	90%	56	8%

Source: Colliers International Research

Capitalization rates in 2019 for office buildings in Makati CBD typically range around 7-9% with the most recent transaction in 2014-2015 was at 5%. Properties with better rental performance and higher cash flows may achieve rates as low as 5% and a high of 10% to 11%.

Top Developers

Ayala Land (Alveo Land and Avida Land) is the top developer of office spaces for sale, having floated and sold around 344,000 sq.m. of space. This accounts to 61% of the market already. Amberland Corporation comes in at second, with its single tower development in Ortigas Center. Daiichi Properties is at third, selling three (3) towers, all in Fort Bonifacio. Century Properties, Ortigas & Co., Filinvest, and Polar Mine, are the only other developers with inventories floated as of Q4 2019.

	As of Q4 2019	Market Share
Ayala Land	343,726	60.8%
Amberland Corporation	77,751	13.7%
Daiichi Properties	44,865	7.9%
Century Properties	35,882	6.3%
Ortigas & Co.	33,345	5.9%
Filinvest	28,401	5.0%
Polar Mine	1,518	0.3%

Source: Colliers International Research

** Based on Leasable Areas*

In Makati CBD, only Ayala Land, Alveo Land to be exact, is the only developer as of Q4 2019, who sold office spaces. The 63,423 sq.m. are found in two (2) buildings: Alveo Financial Tower and The Gentry Corporate Plaza.

Meanwhile in Fort Bonifacio, they are joined by Daiichi Properties, which has three (3) buildings: One World Place, One Global Center, and The Finance Tower.

Developers	Total Office Space (in sq.m.)
Makati CBD	**63,423**
Ayala Land	63,423
Fort Bonifacio	**249,505**
Ayala Land	204,640
Daiichi Properties	44,865

Source: Colliers International Research

** Based on Leasable Areas*

OFFICE PROPERTY MARKET OUTLOOK

Key success factors

Offer flexible floorplates to cater to both BPO and Traditional Tenants

While the BPO and outsourcing market continues to drive strong demand for office spaces in the CBDs, it is vital for the developers to offer flexibility in terms of unit cuts, as the market is now shifting to a more diversified tenancy. KPOs, traditional and multinational companies, as well as government offices, now add significant numbers in the office space transactions, unlike previous years where the BPO market constitutes 60-75% of all office space demand. Offering flexible floorplates broadens the target market office buildings, making it easier to sell/lease out.

Accessibility

Makati CBD is one of the more preferred, if not the most, CBD location in Metro Manila, not only because it is one of the oldest CBDs and has already established itself as the premier CBD of the country, but also because of its accessibility. There are different ways of going and out of the CBD, and while it is not shielded from everyday traffic, there are alternative routes and transportation options for the locators. Fort Bonifacio should look at ways of easing movement in and around the CBD, to make it more conducive for its office locators. Some tenants have already expressed accessibility as a major concern in their expansion and relocation plans.

Quality of finishes and Handover Condition

Because of the tough competition in the market, developers should focus on handing over office spaces that are more than just square slabs. Many tenants and locators expect warm shells as a minimum hand over condition, and a plus if the cement flooring is already smooth and ready for carpeting. Other developers already include fully functional ceilings, complete with fire detectors, fire sprinklers, T-runners, acoustic boards, lights and A/C system. This handover condition makes it less costly for a tenant to fit-out, and see the space as value for money, compared to those which offer only bare shell and rough flooring.

Key trends in the market

Expansion of flexible office spaces by a young and dynamic workforce

Currently, an estimated 350,000 sq.m. of office space was occupied by flexible office space operators in Metro Manila. The tenants of such office spaces are varied, from start-ups, to law firms, Fortune 500 companies, and freelancers. As mobility, connectivity, and flexibility will characterize the work environment in the near future, flexible office space is seen to expand with some office developers, such as Regus, planning to explore the flexible workspace model.

Smaller developers buying smaller plots in Makati CBD

As mentioned in the previous sections, demand is still strong for Makati CBD, with vacancy rates only at around 2%, and the lack of new supply is not helping the growth of the CBD. Smaller developers have noticed this, and have now gone into buying the small plots in the side streets of Salcedo and Legaspi Villages, and redeveloping them into Grade B office buildings. Examples of which are: Frabelle Business Center, V Corporate Center, M1 Tower and Frabelle Corporate Plaza.

HQs on the move to Fort Bonifacio

Again, the lack of new supply in Makati CBD has hindered multinational companies to consolidate their spaces and build bigger headquarters. This has benefitted Fort Bonifacio well, as it has convinced Regional HQs, such as Coca-Cola, Fortune Tobacco, and Shell, to move over to the CBD, consolidate their space into newer buildings, all the while getting better lease rates. Landlords in Fort Bonifacio have been more willing to drop rates to get good and stable tenants, unlike those of Makati CBD landlords, who are more bent on keeping the rates at a certain level. Fort Bonifacio also do not have gaming companies who are more willing to pay higher lease rates and get large office spaces, so landlords have to keep their rates competitive to ensure leasing of their buildings.

Buildings moving into well thought of design and facilities

Offices have now veered away from the typical, box-type offices with very little windows and aesthetic value, to iconic buildings-curtain walls, full glass facade, and integrating LEED technologies. Some of the upcoming buildings also have renowned architects and design engineers do their buildings, and use them as part of their marketing. This have gained traction for some of the MNCs and now require their headquarters to be in buildings which are iconic, have green practices, and are prestigious in terms of looks.

MNCs still prefer Makati CBD over Fort Bonifacio because of accessibility

While Fort Bonifacio have more available space and newer buildings, MNCs still prefer to locate in the Makati CBD, primarily because of accessibility. Formerly a military base, Fort Bonifacio was planned in such a way that it will be hard to get to, and hard to get out of. Accessibility going in and out are limited, and roads leading to and from are narrow, compared to that of the Makati CBD, which, offers a number of ways coming in and out, with various modes of transportation available for the employees. Makati CBD is also still considered the premier CBD, and the more prestigious address.

Changes in the BPO industry post-Covid-19

Immediate impacts of Covid-19 to the office sector

– Slower expansion from the Philippine Offshore Gaming Operators (POGO's) due to uncertainties brought by the pandemic.

– New supply of office space in 2020 are expected to drop due to work stoppage on site, as well as social-distancing measures that are being implemented by the government to construction businesses post enhanced community quarantine (ECQ).

– Vacancy rates expected to hike to 5.5% as the market shifts partially to a Tenant's market from being a Landlord market.

– Occupiers pause long-term plans to occupy or expand from their current spaces and decision-making may extend even after the pandemic has dissipated before firms start taking up new office space.

– Inspection activities declined due to limitations in mobility and ECQ restrictions resulted on a 24% drop YoY of deals closed during Q1 2020.

– There's a possibility that GDP will contract indicating a U-shaped growth, therefore, expecting a slower than expected growth in 2021.

COLLIERS OUTLOOK

While vacancy is seen to rise in 2020 due to the slower closing of deals tenants taking up a wait and see stance, Colliers sees a likely recovery from both outsourcing and traditional segments in 2021. The rebound in demand should also offset a sluggish take-up from POGOs in 2020. With this projected recovery in 2021, followed by a pick-up in completions of office spaces, we see vacancy to decline to 5% in 2021 from a projected 2020 vacancy of 6%. Rents are also seen to drop in 2020 before picking up again 2021, with better market conditions. A faster recovery in rents is seen further down in 2022.

As the pandemic subsides, higher health standards and additional safety measures will be enacted among office spaces and office buildings. Colliers expects wellness to be at the forefront of organizations' strategies moving forward. Some key points that we see for both landlords and occupiers are:

For Landlords:

– To maximize existing wellness features of their buildings and prioritize certifications such as LEED and WELL buildings standards to promote the health and well-being of their occupants when they come back to the office building.

– To be more discerning with design considerations such as proper air circulation within common areas, lower density within elevators, access to stairwells to avoid riding cramped elevators, and glass ratios that allow natural sunlight to enter the building.

– To provide for proper ventilation systems and technical provisions that improves indoor air quality, supply, and circulation.

– To strengthen property management capabilities including sanitation and emergency preparedness to be more resilient in pandemic or emergencies related to natural calamities.

– To implement enhanced hygiene and cleaning measures during operations by providing hand sanitizing dispensers in hallways, providing soap and water in toilets, use of sensor taps and flushes inside toilets, and hands-free door openers.

For Occupiers:

– Implementation of alternative work arrangements such as telecommuting and/or alternating schedules to be at the office. For some companies, the presence of employees is not about showing physically at work, it's about being mentally and being fully engaged wherever they are. This also means providing adequate support to employees by providing them with laptops, internet access, headsets, etc. that will truly promote the employees' productivity whether is working remotely or working from the office.

– Effectively communicate cloud computing strategies to their employees to minimize disruption of operations. This can be conducted through numerous online training sessions on how to adapt to remote work, how to communicate with team members remotely, and find seamless ways to work collaboratively with the team.

– Businesses should take measures to ensure that employees are healthy, motivated and productive. To enhance physical well-being, companies can use smart technologies that monitor indoor air quality and invest in equipment such as air purifiers and humidifiers that improve air circulation. This is a proven way to help fight the spread of disease within indoor spaces. Most companies implemented a one (1) employee for every three (3) seats in the office while the rest their employees through education of how to invest on a healthy lifestyle by staying active or eating healthy. Some companies go as far as providing fitness gyms and nutritious snacks and meals inside their pantries.

– Implement a **Flex and Core™ real estate strategy** where a mix of traditional and flexible workspaces are created. From a commercial real estate point of view, this will help Occupiers manage uncertainty by dialing up or down their space requirements in tandem with the headcount movements and business objectives. This requires efficiently evaluating their business continuity plans and making it more resilient.

TRENDS AND PRACTICES OF BPO LOCATORS

Some of the key trends that were implemented by BPO locators during the enhanced community quarantine to ensure business continuity:

– Provided employees with laptops and internet connectivity

– Remote work arrangement options were given to employees that were residing outside Metro Manila.

– For workers that handled sensitive information, they were shuttled to the office from their homes to be able to go to the office. Otherwise, some companies housed their employees in hotels, dorms, or apartments near their offices or sometimes even within the office premises.

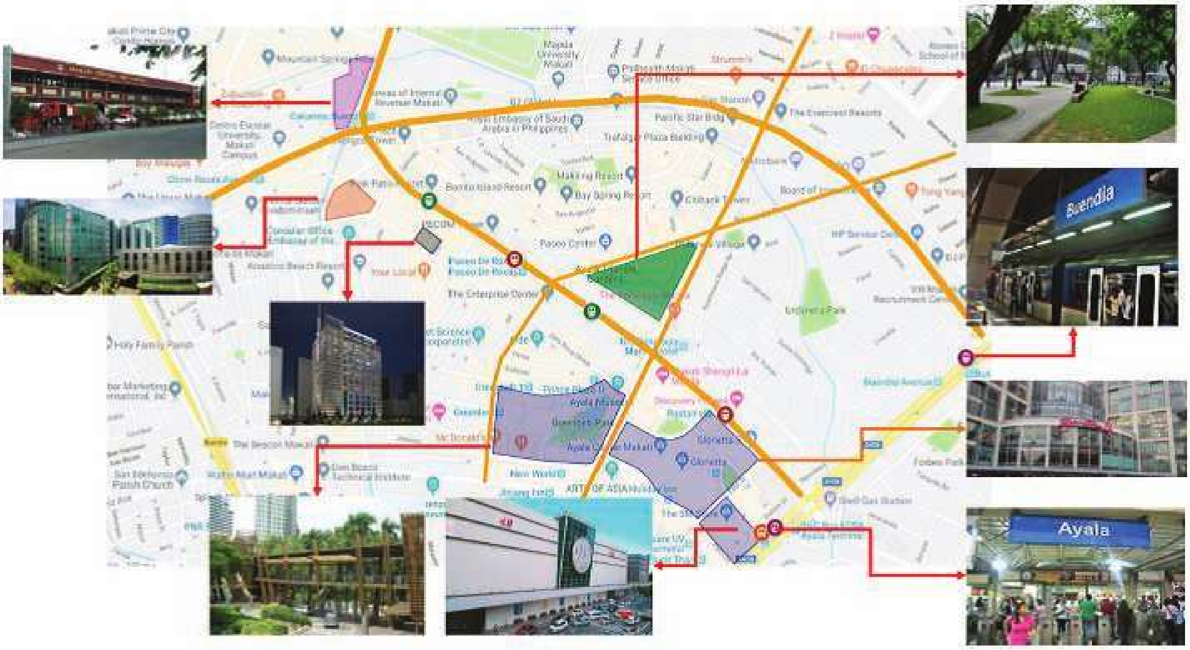
– Work shifting arrangements were also implemented for employees who had difficulty adapting to remote-work.

– Non-core functions such as recruitment and accounting had a work-from-home arrangement.

VICINITY & SITE ANALYSIS

Site 1: Solaris One

Location and Vicinity



Solaris one is located along Dela Rosa St., on the western portion of the Makati CBD, closer to Gil Puyat Avenue than EDSA. Buildings within the vicinity include the twin towers of RCBC Plaza, GT Tower, Kroma Residences and Makati Medical Center. Being along Dela Rosa Avenue, the nearest bus loading station is around 300 meters away, with employees needing to walk around the block covering the building towards Ayala Avenue. The unloading station is a bit further away to the east, around a 10 minute walk from the building (700 meters). While the covered skywalk along Dela Rosa passes by Solaris One, it is not connected at the moment. Glorietta 4 is around 1.4 km away.

Below are the significant landmarks in Makati CBD and their distances from Solaris One.

Solaris One	Distance in KM	Distance in Minutes (by Walking)
Ayala Triangle Gardens	0.85	13 mins
Makati Medical Hospital	0.45	5 mins
Makati Post Office/Fire Station	0.65	9 mins
Greenbelt 1	0.85	11 mins
Glorietta	1.4	20 mins
SM Makati	1.6	22 mins
MRT Ayala Station	1.7	23 mins
MRT Buendia Station	2.5	34 mins
Nearest Bus Loading Station	0.3	5 mins
Nearest Bus Unloading Station	0.7	10 mins

General description of the Property

Solaris One	
Address	Blk 1 Lot 2, Dela Rosa St., San Lorenzo, Makati City
Land Area	3,612 sq.m.
Zoning	C-4B (Central Business District Zone)
	This central business district zone shall be used primarily for high density office and residential developments on a metropolitan scale of operations, with miscellaneous support uses
Allowable Uses	Office, Bank, Finance, Insurance, Money Exchange Service/Pawnshop/ Payment Center, Educational Institutions, Specialty School/Training Facility, Place of Religious Worship, Hospitals/Medical Centers, Auditorium/Theater/ Performance/Civic Center, Library/Museum/Exhibit Area, Convention/ Meetings Facilities, Parks/Playground/Sports Fields, Parking Structure, Computer/Information Technology-Related Service Activity/Radio/Television Station, Utility Installation for use of zone/lot occupants, Public Utility Facility, Embassy, Government Facility, Hotel, Residential Inn, Apartelles, Condominium, Condotel
Allowable Floor Area Ratio	Not more than 16

Solaris One, completed in 2008, was originally known as the E-Services 3 Dela Rosa Tower 1. It is located at 130 Dela Rosa Street, Legaspi Village, Makati City. It has a total gross floor area of 73,322 sq.m. within a land area of 3,612 sq.m.. Total allowable FAR based on the locational clearance is not more than FAR 16, while the total used FAR is 15.69. It is zoned as C-4B, known as part of the Central Business District Zone.

Swot Analysis

Strengths

Location

Solaris One is located within the Makati CBD, the premier central business district of the country. It is the preferred location for most of the MNCs and largest corporations in the Metro. With the lack of developable land, and the continued strong demand for office space, being located within the CBD is a major plus for any building.

PEZA Accredited

The building is PEZA accredited, and the lack of PEZA accreditations being handed out to Metro Manila buildings has become an advantage to those who have gotten theirs earlier, most especially for buildings which target the outsourcing industry. And Solaris One is one of them.

Sizeable floorplate

The typical floorplate of the building is more than the minimum requirement of the BPOs, but not as extremely big that it is still flexible and can be divided into quadrants for smaller locators.

High Efficiency within the Units

As the efficiency of Solaris is 100% (i.e. net useable area is equivalent to gross leasable area), the tenants effectively pay rent only for the area they use and occupy. In contrast, most other buildings' efficiency is less than 100%, tenants pay for net useable area plus a share in the common areas.

Brand and track record

The building is owned and developed by Ayala Land, and with the brand and track record that the developer carries, tenants are ensured that what is promised will be delivered, and that the building will be built with integrity and quality.

Well maintained and professionally managed

Solaris One started operations in December 2008, however, because it is professionally managed, the building is well kept and well maintained, as compared to other buildings built during the same era.

Retail component – food options for the tenants

The building has within its building a retail component, which offers food options as well as services and convenience stores not only for the tenants but for the neighboring buildings as well.

Good anchor tenant

Solaris One, because of the compatibility of its technical specifications to the BPO industry was able to get very good anchor tenants, such as the shared services of Shell, ANZ Global Services and Operations as well as the Institutional Shareholder Services Inc.

Weaknesses

Visibility

Because it is located along Dela Rosa Avenue, visibility within Ayala Avenue is almost nil. It is visible within Dela Rosa; however, the front is facing sideways, and not within the bigger road.

Accessibility

While the building has no direct access to Ayala Avenue, ergo, no access to the bus stops which are all along Ayala Avenue, it is a short walk from these bus stops. Temporarily, with all the construction going on in the Alveo Financial Tower, the empty lot which used to be the short cut going to Ayala Avenue has been closed off, so all those who will be going to and from Ayala Avenue, will have to go around the block. Drop off of the building is also just a small access road to the side of Dela Rosa Avenue, good for one vehicle alone, and is one-way.

Connection to the walkway

Unlike some of the buildings along Dela Rosa Avenue, Solaris One is not connected to the skywalk. Recently, stairs have been installed nearby, just before the Kroma Towers, the nearest staircase is around a hundred meters away.

Low glass ratio

Due to the building's age, the windows are smaller than newer buildings with high glass ratio, with a slightly lower amount of natural light coming into the offices. With the move towards the green initiatives and wellness among employees, the amount of natural light coming into the office becomes more and more important. Because of this, some tenants prefer higher glass ratio while some are still okay with a lower glass ratio.

Above market CUSA + Aircon charges + Parking Fee

While rental charges appear cheaper because of the basis of rent, Solaris One charges one of the more expensive CUSA charges at Php325.52 per sq.m., while competitors charge around Php160 to Php220. Additional A/C CAPEX charges are also in place at Php196.28 and parking rent of Php7,960 per slot. While competitors also charge for parking rentals, these would be in the range of Php4,500 – Php6,500 per slot.

Centralized aircon

The building's current A/C system is centralized, while some BPO tenants may use VRF as their A/C systems. Solaris' usage is sub-metered.

Opportunities

Low vacancy in Makati CBD

Makati CBD vacancy rates has been below 5% since 2011, which indicates continued strong demand, even with the limited new supply coming in. Grade A buildings, which is the classification of Solaris One, is currently at 2% vacancy.

New industries entering the market and looking for office spaces

Other than the typical BPO and traditional companies scrambling for office spaces in Makati CBD, new industries such as flexible workspaces and FinTech (financial technology) companies have also been observed to be entering the market and getting significant spaces in different buildings; from Premium to Grade Bs.

Low PEZA availability in Makati

Because of the government's drive to push offices to open outside of Metro Manila, there are very minimal PEZA Accreditations that have been released not only in Makati CBD, but also all around Metro Manila. Being PEZA accredited, Solaris One will be a sought-after building, as most of the outsourcing companies, as well as some MNCs still prefer to be located in PEZA Accredited buildings.

Threats

Newer buildings, cheaper options

As some lots are being redeveloped and built as either office or residential buildings, the number of competitions increases. These newer buildings pose as threat, as these are more modern in terms of technology, ambience, and aesthetics.

Evolving tenant requirements (tech, infra, well, LEED, etc)

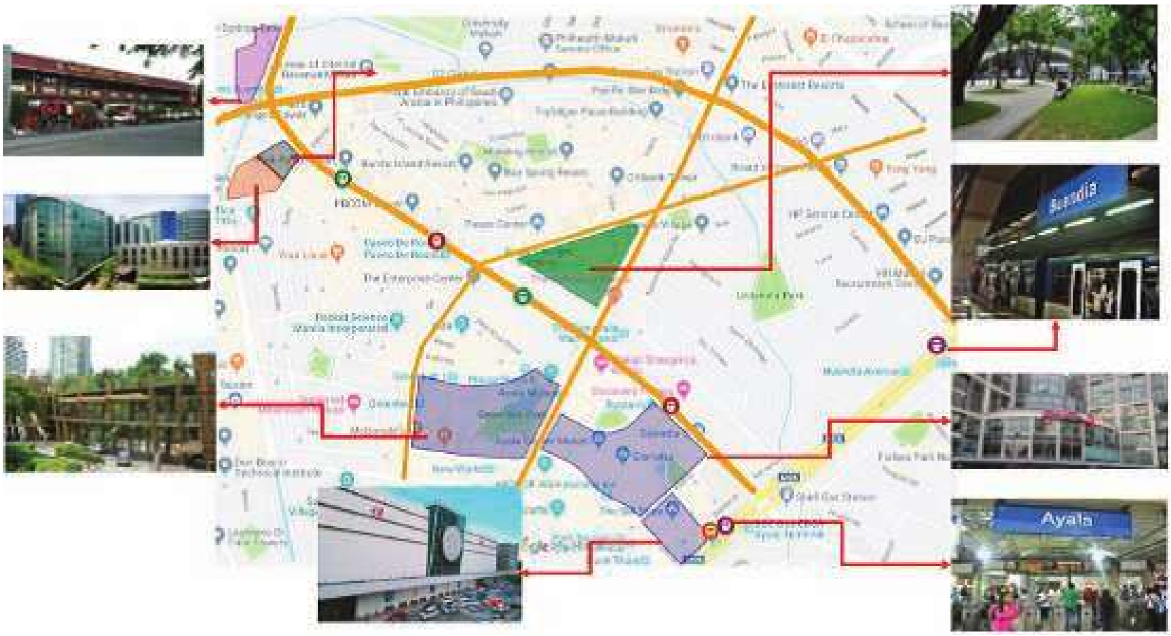
Because the building is older, new trends such as the LEED certifications, improved tech and infrastructure, green initiatives and technologies are not in place. Colliers have seen trends wherein these kinds of specifications are becoming a part of tenants' wish lists, especially the MNCs.

Work-from-home

With the Telecommuting Act now signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might have some slowdown due to this, as workers can now work from home, and the number of seats can now be lessened, or maintained, even as the companies expand. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

Site 2: Ayala North Exchange

Location and Vicinity



Ayala North Exchange is located along Ayala Avenue, Salcedo and Amorsolo Sts., within Legazpi Village. It is connected to one of the buildings of Makati Medical Center, and the skywalk along Dela Rosa Avenue going to Greenbelt. In front of it are the Twin Towers of RCBC Plaza, and GT Capital's GT Tower. It is on the eastern portion, almost at the edge of the Makati CBD.

Listed below are the distances of Ayala North Exchange to significant landmarks within the Makati CBD.

Ayala North Exchange	Distance in KM	Distance in Minutes (by Walking)
Ayala Triangle Gardens	0.95	13 mins
Makati Medical Hospital	0.15	2 mins
Makati Post Office/Fire Station	0.3	4 mins
Greenbelt	1	13 mins
Glorietta	1.7	24 mins
SM Makati	1.8	25 mins
MRT Ayala Station	2	27 mins
MRT Buendia Station	2.5	34 mins
Nearest Bus Loading Station	0.15	3 mins
Nearest Bus Unloading Station	0.85	10 mins

General Description of the Property

Located within Makati CBD, Ayala North Exchange is zoned as C-4B, or Central Business District Zone. According to the Zoning Ordinance, this zone shall be used primarily for high density office and residential developments on a metropolitan scale of operation, with miscellaneous support uses. The building sits on a 7,657 sq.m. lot, with an allowable FAR of 16.

Ayala North Exchange	
Address	Ayala Ave. cor. Salcedo St. cor. Amorsolo St., San Lorenzo, Makati City
Land Area	7,657 sq.m.
Zoning	C-4B (Central Business District Zone)
	This central business district zone shall be used primarily for high density office and residential developments on a metropolitan scale of operations, with miscellaneous support uses
Primary Allowable Uses	Office, Bank, Finance, Insurance, Money Exchange Service/Pawnshop/ Payment Center, Educational Institutions, Specialty School/Training Facility, Place of Religious Worship, Hospitals/Medical Centers, Auditorium/Theater/ Performance/Civic Center, Library/Museum/Exhibit Area, Convention/ Meetings Facilities, Parks/Playground/Sports Fields, Parking Structure, Computer/Information Technology-Related Service Activity/Radio/Television Station, Utility Installation for use of zone/lot occupants, Public Utility Facility, Embassy, Government Facility
Allowable Floor Area Ratio	Not more than 16

Swot Analysis

Strengths

Location – within the Makati CBD

Ayala North Exchange is located within the Makati CBD, the premier central business district of the country. It is the preferred location for most of the MNCs and largest corporations in the Metro. With the lack of developable land, and the continued strong demand for office space, being located within the CBD is a major plus for any building. Apart from this, the building is along Ayala Avenue, the major thoroughfare of Makati CBD, and the most prestigious address for the buildings within the CBD.

PEZA Accredited

Both buildings of Ayala North Exchange are PEZA accredited, and not many upcoming and new buildings have this advantage, as less and less accreditations have been released by the government. PEZA buildings are still the preferred buildings of outsourcing companies.

Floorplate within the standards for BPOs

The floorplate of the BPO building is at around 2,000 sq.m., which is the minimum floorplate of most BPO companies.

Visibility

Due to its location along Ayala Avenue, Ayala North Exchange has superior visibility. Compared to other buildings. Add the fact that it covers that whole block, and buildings nearby are small in terms of number of floors. Size and location teamed up to give the Ayala North Exchange the visibility advantage.

Accessibility

The building has a direct access along Ayala Avenue, with its drop off facing directly in along the major thoroughfare. Because it occupies the whole block, the building has three (3) streets as access points. However, bus loading and unloading stations are around a few hundred meters away.

Connection to the walkway – up to Glorietta

While the building is more than a kilometer away from Glorietta, it is connected to the skyway along Dela Rosa, making it easier for those coming to and from Ayala North Exchange, even during bad weather.

High Efficiency within the Units

As the efficiency of Ayala North Exchange HQ and Ayala North Exchange BPO is 100% (i.e. net useable area is equivalent to gross leasable area), the tenants effectively pay rent only for the area they use and occupy. In contrast, most other buildings' efficiency is less than 100%, tenants pay for net useable area plus a share in the common areas.

Next to a hospital

Being a few meters away from the Makati Medical Center, and connected via the skywalk, Ayala North Exchange becomes the first integrated development within the CBD. The hospital also gives tenants of the office spaces some sense of security, should some emergency happen, they know they area just a stone throws away from the hospital.

Brand and track record

The building is owned and developed by Ayala Land, and with the brand and track record that the developer carries, tenants are ensured that what is promised will be delivered, and that the building will be built with integrity and quality.

Open spaces

As part of the integrated development, Ayala North Exchange has some civic and open space gardens allotted in the podium of their buildings. They are one of the few buildings which have this specification.

Captive retail area

Being on the border of the Makati CBD, the building is more than a kilometer away from Glorietta and Greenbelt. Having its own retail podium that is sizeable gives not only the building locators an option for food and services, but also those other buildings which doesn't have their own retail area. It can also be an alternative retail location from Greenbelt and Glorietta for the buildings which are near the building.

Weaknesses

Centralized A/C System

The building's current A/C system is centralized, while some BPO tenants may use VRF as their A/C systems. Ayala North Exchange Buildings' usage are sub-metered.

Opportunities

Limited hotel room count within the CBD

With the closure of Mandarin Oriental and Intercontinental Hotel Manila a few years back, the number of serviced apartments within the Makati CBD is limited, with only Makati Shangri-La, Raffles, Fairmont, New World Hotel, Peninsula Manila and Discovery Primea serving the hotel demand. Adding a 293-room hotel within the building will increase likeability, as these hotels are at a distance from the building which is on the other side of the CBD. Occupancy levels of the hotels in the Makati CBD are also very high, due to the high demand from the businessmen, and limited supply. The Seda Hotel which will be put will gain from these, as it will help address the growing demand of hotel rooms.

Low vacancy in Makati CBD

Makati CBD vacancy rates has been below 5% since 2011, which indicates continued strong demand, even with the limited new supply coming in. Grade A buildings, which is the classification of Solaris One, is currently at 2% vacancy.

Limited PEZA buildings in Makati

Because of the government's drive to push offices to open outside of Metro Manila, there are very minimal PEZA Accreditations that have been released not only in Makati CBD, but also all around the Metro. Being PEZA accredited, Solaris One will be a sought-after building, as most of the outsourcing companies, as well as some MNCs still prefer to be in PEZA Accredited buildings.

New industries entering the market and looking for office spaces

Other than the typical BPO and traditional companies scrambling for office spaces in Makati CBD, new industries such as flexible workspaces and FinTech (financial technology) companies have also been observed to be entering the market and getting significant spaces in different buildings; from Premium to Grade Bs.

Near the Proposed Makati Subway Station

Ayala North Gate is located within a few hundred meters from one of the stations of the proposed Makati Subway Station – Makati Fire Station. This would further increase accessibility and add transportation options to the employees and visitors of the building. Ease of going in and out of Ayala North Exchange will improve further.

Threats

Other new buildings in Makati CBD

As with any development, newer buildings with new technology, infrastructure and certifications will be a threat. While Ayala North Exchange is superior in terms of location, branding and accessibility, it has to still be competitive in terms of technical specifications, and other soft services especially with tenants becoming more demanding with regards to the office space they are looking for.

Fort Bonifacio, Makati Fringe and all other CBDs

Development of other CBDs is also a threat, as these have been trying to catch up with the status of Makati CBD as the premier CBD. Fort Bonifacio with all the modern and new buildings have been getting lots of traction, with some MNCs consolidating their offices in new buildings there. Competitive rates, good handover conditions and improved technology and efficiency were some of the factors they moved. Ayala

North Exchange is also very near the Makati Fringe area, and buildings in the Makati Fringe have also improved in terms of design and finishes.

Work-from-home

With the Telecommuting Act now signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might have some slowdown due to this, as workers can now work from home, and the number of seats can now be lessened, or maintained, even as the companies expand. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

Site 3: Mckinley Exchange Corporate Center

Location And Vicinity

McKinley Exchange Corporate Center is situated in between the two (2) most prominent CBDs in the country: Makati CBD and Fort Bonifacio. It is bounded by EDSA, and McKinley Road, both of which are accessible for both private and public vehicles. It is very near Ayala Center, which is only a few meters away, after crossing EDSA, and is just a stone throw's away from all public utility vehicle stations such as the Ayala Bus Stops, MRT 3 Ayala Station and the BGC Bus Station. However, it is not connected to the rest of the Ayala-developed CBD, as it is on the other side of EDSA.

Below are the significant landmarks in Makati CBD, and its distance from the site.

McKinley Exchange	Distance in KM	Distance in Minutes (by Walking)
Ayala Triangle Gardens	1.4	19 mins
Makati Medical Hospital	2.3	31 mins
Makati Post Office/Fire Station	2.3	32 mins
Greenbelt	1.5	20 mins
Glorietta	0.55	8 mins
SM Makati	0.50	7 mins
MRT Ayala Station	0.09	1 min
MRT Buendia Station	0.85	11 mins
Nearest Bus Loading Station	0.05	1 min
Nearest Bus Unloading Station	0.5	1 min

General Description Of The Property

McKinley Exchange Corporate Center	
Address	McKinley Rd cor. EDSA
Land Area	
Zoning	C-1A (Low Density Commercial Zone)
	This zone shall be used primarily for Mixed-Use and commercial developments on a local scale
Primary Allowable Uses	Uses allowed in R-2 and R-3 Zones, Hotels, Colleges/Universities/Educational center, specialty school/training facility, auditorium/performance center, convention/meeting facility, convent/seminary and related uses, health center/ clinic, sports club/gym and sports facilities, nursing/convalescent home, hospital/medical center, specialty studios, showroom/display store, convenience retail/supermarket/grocery, wet/dry market, office support service, bank/atm, insurance and money exchange service, funeral/memorial services, auto-related shops, transit station, home office, petrol filling station, small scale home industry, computer/information technology related activity.
Allowable Floor Area Ratio	Not more than FAR five (5)

Swot Analysis

Strengths

Accessibility

McKinley Exchange is along EDSA, which gives employees direct access to one of the major thoroughfares in all of Metro Manila. Bus loading and unloading stations are less than 100 meters away, as well as the MRT-3. The station of the buses going into BGC is also within a few meters walk, further increasing access of the building.

Visibility

Due to its location along EDSA and McKinley Road, McKinley Exchange Corporate Center has superior visibility, compared to other buildings. It being a corner lot and has a gas station in front makes it even more visible to all those who ply along EDSA and McKinley Road.

PEZA Accredited

The building is PEZA accredited, and the lack of PEZA accreditations being handed out to Metro Manila buildings has become an advantage to those who have gotten theirs earlier, most especially for buildings which target the outsourcing industry.

Sizeable floorplate

The typical floorplate of the building is more than the minimum requirement of the BPOs, for which it was made for.

Brand and track record

The building is owned and developed by Ayala Land, and with the brand and track record that the developer carries, tenants are ensured that what is promised will be delivered, and that the building will be built with integrity and quality.

Weaknesses

Centralized A/C System

The building's current A/C system is centralized, and while usage is sub-metered, BPO tenants still prefer VRF as their A/C systems.

Location as Makati Fringe

The building is located on the other side of EDSA, going into Bonifacio Global City. It is separated from the Makati CBD, but its address is still Makati. While BPO companies do not put as much weight as being in the CBD as traditional/multinational companies, rents of buildings located in the fringe are at a considerable discount as compared to those within, or just beside the CBDs. McKinley Exchange is in between two (2) CBDs.

Small windows

Due to the age of the building, the windows are small, with very little natural light coming into the offices. With the move towards green initiatives and wellness among employees, the amount of natural light coming into the office becomes more and more important. However, some tenants still prefer lower glass ratio to reduce aircon consumption.

Above market CUSA Charges

McKinley Exchange charges the most expensive CUSA dues as compared to its competitors at Php193.26 per sq.m., it already charges near that of traditional buildings within Makati CBD.

Opportunities

Limited PEZA buildings in Makati

Because of the government's drive to push offices to open outside of Metro Manila, there are very minimal PEZA Accreditations that have been released not only in Makati CBD, but also all around the Metro. Being PEZA accredited, Solaris One will be a sought-after building, as most of the outsourcing companies, as well as some MNCs still prefer to be in PEZA Accredited buildings.

New industries entering the market and looking for office spaces

Other than the typical BPO and traditional companies scrambling for office spaces in Makati CBD, new industries such as flexible workspaces and FinTech (financial technology) companies have also been observed to be entering the market and getting significant spaces in different buildings; from Premium to Grade Bs.

Threats

Other new buildings in Makati CBD, Makati Fringe and Fort Bonifacio

As with any development, newer buildings with new technology, infrastructure and certifications will be a threat. McKinley Exchange Corporate Center will now have added competition within the CBDs and in the Fringe, targeting outsourcing companies as well. These newer buildings with new tech, better architecture and design will definitely be a threat for the development.

Work-from-home

With the Telecommuting Act now signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might have some slowdown due to this, as workers can now work from home, and the number of seats can now be lessened, or maintained, even as the companies expand. However for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

OVERVIEW OF CEBU PROVINCE

Economy

Gross Regional Domestic Product

In 2017, Region VII or Central Visayas contributed 6.4% to the country's GDP at a growth of 5.1% during the period 2016 to 2017, slower than the national GDP growth by 1.6%.

Average real per capita GRDP of Central Visayas went up by 3.4%, recording 71,677 pesos in 2017 from P69,315 in 2016. The country's per capita GRDP had a higher increase at 4.9% or P82,592 in 2017 versus P78,676 in 2016.

REGION/YEAR	2015*	2016*	2017*	% Share	% Growth (16-17)
Philippines	7,600,175,069	8,122,741,433	8,665,707,506		6.70%
National Capital Region	2,770,552,677	2,976,234,624	3,158,081,656	36.40%	6.10%
Region VII - Central Visaya	482,898,676	524,597,384	551,179,952	6.40%	5.10%

**At constant 2000 prices*

Source: Philippine Statistics Authority

Cebu Province serves as the economic and educational hub of Central Visayas as well as the gateway to destinations in Southern Philippines. According to the Philippine Statistics Authority, main drivers of growth in 2017 are Agriculture and Forestry, Public Administration and Defense (PAD), Compulsory Social Security, Real Estate, Renting and Business Activities (RERBA), and Financial Intermediation (FI).

Service sector continues to have the biggest contribution to the region's GRDP, covering 56.3% of the economy as it grew by 6.3% from 2016. Of all the sectors under Services, top 3 contributors are PAD which had the biggest growth at 8.4%; RERBA at 7.9%; and FI at 7.7%.

It is followed by Industry sector with 38.2%, however its growth rate declined from 14.1% in 2016 to only 3.0% in 2017. All of its sectors slowed down except for Electricity, Gas, and Water Supply (EGWS) which contracted at 0.9%.

Lastly, Agriculture sector covered the remaining 5.5% and showed the fastest growth as it rebounded from -0.2% growth in 2016 to 7.0% in 2017. Agriculture and Forestry accounted for the highest growth at 9.6%.

Banking industry

Banking statistics from the Philippine Deposit Insurance Corporation (PDIC) showed that Cebu Province has a total of 595 banks as of June 2018, with majority located in Cebu City (42%) since this is the center of business, 16% in Mandaue City, and 9% in Lapu-Lapu City. In terms of growth, the period 2011 to 2017 showed a 5% annual growth rate for Cebu Province, with Lapu-Lapu City having the highest among the three (3) cities as it got 7% per year.

	2014	2015	2016	2017	Jun-18	% of total	CAGR
Cebu Province	444	459	489	565	595	100%	5%
Cebu City	210	220	233	237	247	42%	3%
Lapu-Lapu City	34	34	36	89	52	9%	7%
Mandaue City	71	71	75	50	93	16%	5%

Source: Philippine Deposit Insurance Corporation

For deposits, the average amount per account in Cebu Province showed a growth rate of 7% annually for the same period and yielded 192 deposits per account as of June 2018. Like the number of banks, Cebu City with an average of 243 deposits per account had the biggest figure, while Lapu-Lapu City with 138 deposits per account had the fastest growth at 11% annually.

	2014	2015	2016	2017	Jun-18	CAGR
Cebu Province	174.4	188.7	196.6	193.6	192	7%
Cebu City	210.7	232.1	245.9	245.9	243.2	7%
Lapu-Lapu City	174.3	162.8	151.2	202.3	138.3	11%
Mandaue City	169.4	177.4	184.4	140.2	200.5	7%

Source: Philippine Deposit Insurance Corporation

Demography

Population

Based on the latest release from the Philippine Statistics Authority in December 2015, the province of Cebu has a total population of 4.63 million with an annual growth rate of 2.14% since 2010. The most populated out of the three (3) cities is Cebu City, covering 20% of the total population in the province. In terms of density, Mandaue City was revealed to be the densest with 10,000 persons per square kilometer despite it having the smallest population and average household size. Lastly, household size for the entire province stood at 4.4 persons, closest to Cebu City with 4.3 and furthest from Mandaue City with only 3.8.

	Total Population (2015)	Household Population	Number of Households	Ave. Household Size	Population Density
Cebu Province	4,632,359	4,604,842	1,077,223	4.4	870
Cebu City	922,611	910,678	213,781	4.3	2,900
Lapu-Lapu City	408,112	406,353	99,573	4.1	7,000
Mandaue City	362,654	359,777	94,547	3.8	10,000

Source: Philippine Statistics Authority

Since 1970, the population of Cebu Province has been growing by 2.4% every year, with Cebu City consistently covering at least 20% of the population. While figures are far from that of Cebu City, growth rates of Lapu-Lapu and Mandaue have been much faster as it doubled to 4% annually.

	1970	1980	1990	2000	2010	2015	CAGR
Cebu Province	1,634,182	2,091,203	2,640,574	3,356,137	4,167,320	4,632,359	2.40%
Cebu City	347,116	490,281	610,417	718,821	866,171	922,611	2.20%
Lapu-Lapu City	69,268	98,324	146,194	217,019	350,467	408,112	4.10%
Mandaue City	58,579	110,590	174,342	259,728	331,320	362,654	4.20%

Source: Philippine Statistics Authority

Housing

Housing units in Cebu Province grew at 3% every year since 1990, slightly higher than the population's growth rate of 2%. Among the three (3) highly urbanized cities in the province, Lapu-Lapu has the fastest rate at 5% which may be attributed to the rise of leisure-oriented residential developments here. Overall, the historical trend shows persistent strong housing demand in the province.

	1990	2000	2010	2015	CAGR
Cebu Province	496,661	664,640	905,158	1,058,512	3%
Cebu City	109,556	142,406	188,098	204,409	3%
Lapu-Lapu City	26,360	43,594	79,976	92,557	5%
Mandaue City	33,026	53,456	76,841	98,907	4%

Source: Philippine Statistics Authority

In terms of housing tenure, Cebu Province registered an 84% ownership of the total occupied residential units, while renters make up 15% of the total – where 11% are paying renters and 4% are rent-free.

Overall predominant unit type are single houses, comprising 84% of the total units, followed by multi-unit residential (9%) and duplex (6%) housing units.

	Single House	Duplex	Multi-Unit Residential	Other Housing Units	Not Reported	Total
Owned/Being Amortized	90%	5%	5%	0%	0%	**84%**
Rented	45%	13%	43%	0%	0%	**11%**
Rent-Free with Consent of Owner	74%	11%	15%	1%	0%	**4%**
Rent-Free without Consent of Owner	82%	7%	10%	0%	0%	**0%**
Not Applicable	0%	0%	0%	100%	0%	**0%**
Not Reported	82%	0%	18%	0%	0%	**0%**
Overall	**84%**	**6%**	**9%**	**1%**	**0%**	

Source: Philippine Statistics Authority

Cebu City meanwhile has a lower ownership percentage, as only 59% of the total occupied residential lots are owned or are being amortized by the occupiers. Renters meanwhile make-up 34%, with 41% of the 34% are paying renters, while the remaining 7% are rent-free. 1% of the 34% are considered as illegal settlers.

Lapu-Lapu City registers a higher ownership status compared to Cebu City, but still below the provincial percentage of 63%. Renters are at 31%.

Mandaue City, among all areas, has the lowest percentage of ownership, at only 45%. Renters meanwhile are more predominant, having 46% of the households being classified under this category.

Upcoming infrastructure

Mactan-Cebu international airport terminal 2

Operational since July 2018, Mactan-Cebu International Airport (MCIA) Terminal 2 covers 65,000 sq.m. with designs credited to Hong Kong-based Integrated Design Associates and top Filipino designers Budji Layug, Royal Pineda, and Kenneth Cobonpue. The P17.5 billion "resort-airport" will have 72 check-in counters and around 7 to 12 boarding bridges for commercial airplanes, expected to double passenger capacity from its current 6 million to about 12.5 million.

Cebu-Cordova expressway link

The Cebu-Cordova Expressway Link (CCLEX) is an 8.25-kilometer cable-stayed bridge that will link Cebu and Mactan Island through Cordova, in order to address the current traffic congestion in the Mactan-Mandaue and Marcelo Fernan bridges. It will feature two lanes in each direction that will serve approximately 40,000 vehicles per day, starting at Cebu South Coastal Road Tunnel and ending at the Mactan-Cebu Circumferential Road in Barangay Pilipog, Mactan Island. This joint venture between Metro Pacific Tollways Development (MPTDC) and the local governments of Cebu City and Cordova has an estimated cost of P27.9 billion and is slated for completion in 2022.

Metro Cebu integrated and intermodal transportation system

Recently approved by the NEDA-ICC, the Metro Cebu Integrated Intermodal Transport System (MCIITS) is a project by the DOTr that is expected to be operational by 2020, particularly certain segments of the Light Rail Transit (LRT) and the Bus Rapid Transit (BRT).

Phase 1 of the MCIITS are the LRT, BRT, and their common stations, intended to address the worsening traffic congestion in Metro Cebu. The BRT is now in the detailed engineering design stage while the LRT is in the proposal evaluation stage. Projects under the MCIITS are as follows: a Point-to-point (P2P) bus system, a monorail in Lapu-Lapu City; a BRT in three-lane roads, a LRT system from Carcar to Danao and Mandaue City to the airport in Lapu-Lapu City, and an Intelligent Transportation System.

As the 1st phase of the Integrated Intermodal Transport System (IITS) project in Metro Cebu, the Cebu Bus Rapid Transit (BRT) will span a 23-kilometer corridor covering Natalio Bacalso Avenue in Barangay Bulacao to Gov. M. Cuenco Avenue in Barangay Talamban, with a total of 33 stations with 176 buses. Originally budgeted at P10.6 billion in 2014 by the Department of Transportation (DOTr), its estimated cost went up to P16.9 billion in 2017 because of road right-of-way acquisition (RROW) cost. After years of delay, an official of DOTr said in 4Q 2018 that the civil works shall commence on the second quarter of 2019 and would be operational by 2020.

According to DOTr, a consortium of Chinese, Singaporean and Filipino investors formally submitted an unsolicited proposal to construct a $3-billion light rail transit system with a subway component in Cebu City. The LRT system is said to be constructed above the ground from Talisay to Carcar and from Mandaue to Danao, including an airport line from Mandaue to the Mactan Cebu International Airport complex.

The project's first phase will have two lines – the Central Line and the Airport Line which will have a bridge crossing from Cebu's mainland to Mactan Island – and the second phase will be the commuter rail. Implementation will be subject to several factors like economic, population, and future modern transport needs, among others. Target completion for all site works is 2022.

New Cebu container port

The New Cebu International Container Port (NCICP) with an estimated total project cost of P10.1 billion will be built on a 25-hectare reclaimed land in the town of Consolacion. It will include a berthing facility with 500-meter long quay that can simultaneously accommodate two 2,000 TEU (Twenty-foot Equivalent Unit) vessels; operating facilities and structures for containers, such as a freight station and an inspection shed; an access road and bridge; and a dredged waterway and turning basin. Seen as a long-term resolution for the continuously growing volumes in the current port, this new port is expected to be ready by 2022.

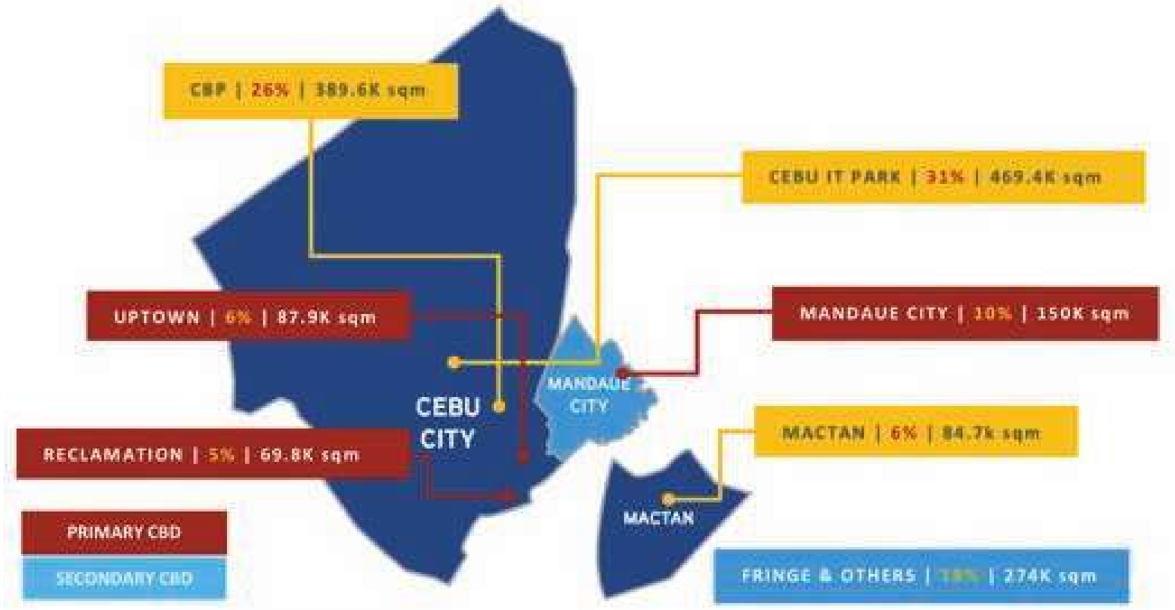
Cebu-Negros bridge & Cebu-Bohol bridge

The government plans to build eight bridges worth at least P269 billion that would link the Visayas to Luzon and Mindanao, with two out of eight situated in Cebu.

The Negros-Cebu Link Bridge, a 5.5-km bridge that would link Negros and Cebu, is expected to reduce travel time from 40 mins (using RORO) to only 10 minutes. The Cebu-Bohol Link Bridge, a 24.5-km bridge linking Cebu and Bohol, is expected to reduce travel time from 2 hours and 10 minutes (using RORO) to only 30 minutes.

METRO CEBU OFFICE MARKET OVERVIEW

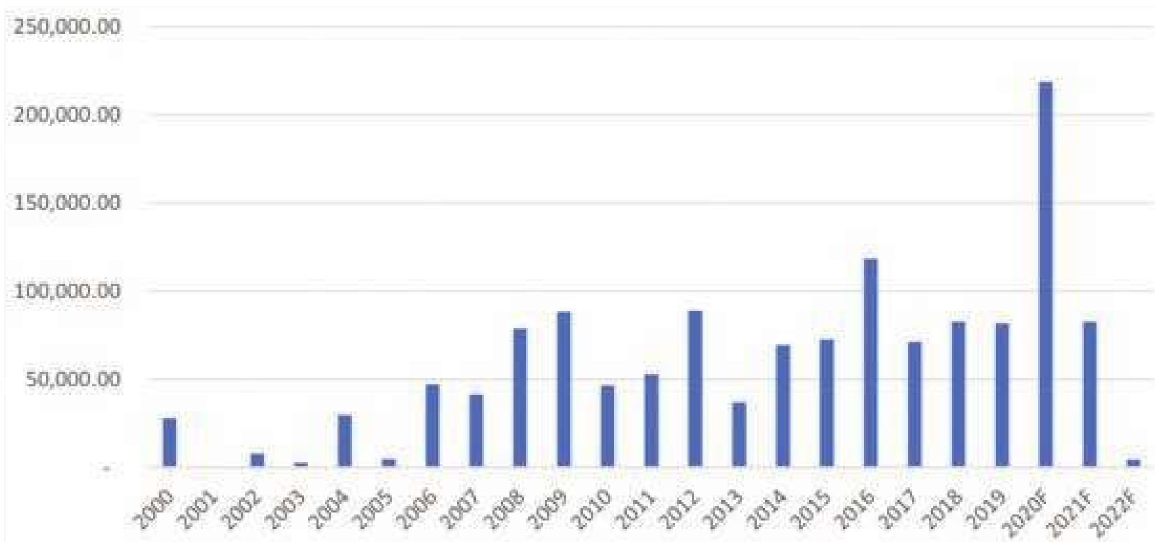
This office market overview covers the major business districts of the three (3) largest cities in Cebu; Cebu City, Lapu-Lapu City and Mandaue City, with focus on Cebu Business Park and Cebu IT Park.



Source: Colliers International Research

Overall Metro Cebu Office Stock

As of the end of 2019, a total of 1.16 million sq.m of gross leasable space have been completed in Metro Cebu, which had a steady stream of supply since 2002. The province grew ten-fold since then, from having a little less than 100,000 sq.m. in 2001, to the current figures of 1.16 million sq.m. with a compounded annual growth rate of 13.7% being recorded for the past two (2) decades.



Source: Colliers International Research

Among the several locations, Cebu IT Park (CITP) which commands the largest share in office stock with 35.7% amounting to 399,145.68 sq.m. This is closely followed by Cebu Business Park (CBP) with a 29.4% share or 328,466.86 sq.m. of office space. The fringe areas of these two (2) CBDs add another 7.2%, only a little less than Mandaue (8.6%) and Mactan's 7.6%.

By the end of 2022, CITP is still expected to be the most dominant CBD in terms of office stock, having a total leasable space of almost 470,000. That is an 18.6% growth from its 2019 figures. Cebu Business Park will also remain at the 2nd spot, albeit a reduced share of 27.4%, amounting to 390,000 sq.m of office space. Largest growth will be seen on the fringes of the primary CBDs, mainly CBP fringe (164.2% growth), and the North Reclamation Area (53.7% growth).

	End-2019	2020F	2021F	2022F	As of End-2022F	Change (2019 vs 2022F)
Cebu Business Park (CBP)	328,466.86	43,291.00	17,860.00	-	389,617.86	18.6%
CBP Fringe	59,577.00	97,782.00	-	-	157,339.00	164.2%
Cebu IT Park (CITP)	399,145.68	52,090.00	18,200.00	-	469,435.68	17.6%
CITP Fringe	20,872.00	-	-	-	20,872.00	-
F. Cabahug	-	-	22,100.00	-	22,100.00	-
Mactan	84,690.80	-	-	-	84,690.80	-
Mandaue	76,674.76	25,516.00	-	-	102,190.76	33.3%
Mandaue Fringe	19,913.87	-	-	-	19,913.87	-
Reclamation Area	45,433.15	-	24,377.08	-	69,810.23	53.7%
Uptown	83,474.90	-	-	4,400.00	87,874.90	5.3%
Grand Total	**1,118,229.02**	**218,679.00**	**82,537.08**	**4,400.00**	**1,423,845.10**	**27.3%**

Source: Colliers International Research

Top Developers

Ayala Land, including its affiliate company, Cebu Holdings Inc., has the biggest share of the market, accounting for 38.6% share or 257,428.41 sq.m. Local developer Skyrise, known for their Skyrise Buildings in IT Park is at 2nd place, with a total stock of 116,000 sq.m. Megaworld, the developer of Mactan Newtown meanwhile has a 13.5% share at the end of 2019.

In 2022, Ayala Land will continue to hold its position as top developer in terms of gross office space, further increasing its share to 39.3%. Skyrise will also increase its market share, from 17.4% to 17.7% in 2022. The biggest jump in terms of increase in their respective office stocks will be Cebu Landmasters, adding almost 40,000 sq.m of gross office space, and upping their share from 2.4% to 7.1%.

Developer	Total Supply as of End 2019 (GFA, in s.q.m.)	Market Share (End-2019)	Total Supply as of End 2022 (GFA, in s.q.m.)	Market Share (End - 2022F)
Ayala Land	257,428.41	38.6%	303,761.91	39.3%
SKYRISE	116,000.65	17.4%	136,930.65	17.7%
Megaworld	90,061.38	13.5%	90,061.38	11.7%
PPC	84,763.41	12.7%	84,763.41	11.0%
FLI	53,640.92	8.1%	53,640.92	6.9%
Creativo	22,910.59	3.4%	22,910.59	3.0%
Robinsons Land	18,355.69	2.8%	18,355.69	2.4%
Cebu Landmasters	16,106.00	2.4%	54,794.33	7.1%
GAISANO	6,877.00	1.0%	6,877.00	0.9%
Subtotal	**666,144.05**	**100.0%**	**772,095.88**	**100.0%**
Others	***626,317.33***		***930,321.04***	
Grand Total	**1,292,461.38**		**1,702,416.92**	

Source: Colliers International Research

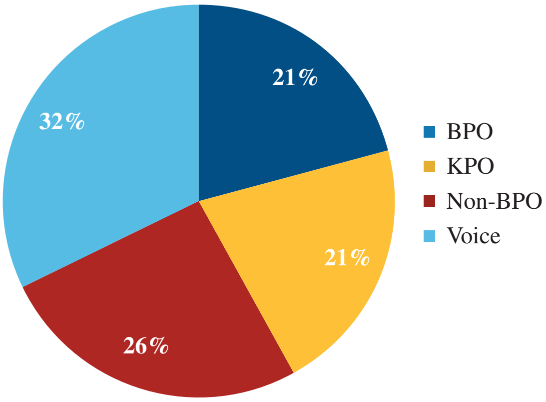
Overall Supply and Demand

Metro Cebu has been averaging around 65,500 sq.m. of take-up each year, with 2018 having the largest recorded net take-up at a little over 111,000 sq.m. of leased space. This was the year that the POGOs entered the market.

Vacancy increased from 6.7% in 2018 to 12.5% in 2019 primarily due to the completion of several buildings, three (3) of which are outside the established CBDs.

In 2019, Cebu IT Park accounted for majority of the transactions, with 56.0% of the total 51,000 transactions being recorded in that location. This was closely followed by Cebu Business Park, with 43.0% and Mactan and Mandaue having minimal share.

Voice still dominated the transactions, with 31.9%, followed by the 25.7% of the non-BPO tenants. KPOs and BPOs approximately account for around 21.0% each. Cebu is the 2nd largest outsourcing hub in the Philippines.



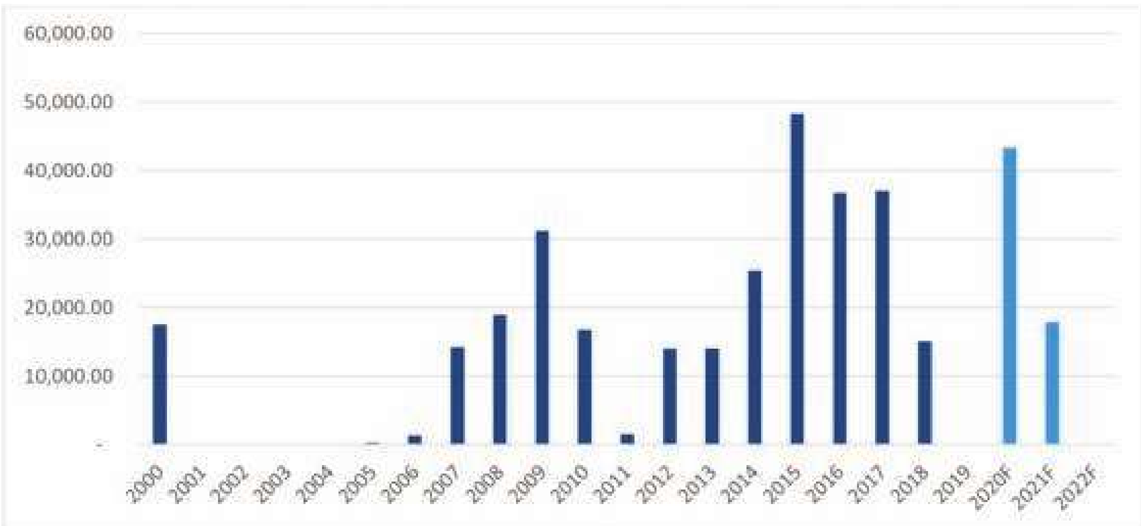
Source: Colliers International Research
** Based on size of transaction*
*** Lower value services that don't need professional skills/certification licences*
Does not include undisclosed tenants

OFFICE FOR LEASE MARKET RESEARCH

Cebu Business Park

Cebu business park supply and demand

There were no completions for Cebu Business Park in 2019, the first time since 2004. Before that, the business park was averaging completions of around 20,000.00 sq.m. per year for 14 years. In the next three (3) years, we forecast additional supply of 20,383.67 sq.m. per year, with 2022 again having no completions.



Source: Colliers International Research

As mentioned earlier, no buildings were completed in 2019, and the last building to be completed was in the fourth quarter of 2018, with Tech Tower from Cebu Holdings, Inc.

While there were no additional buildings, occupancy rates drop to 90.6% with vacancies in Lexmark Plaza 3 and BPI Cebu Corporate Tower pulling vacancy rates upwards to 9.39% from 1.74% in the previous year.

Source: Colliers International Research

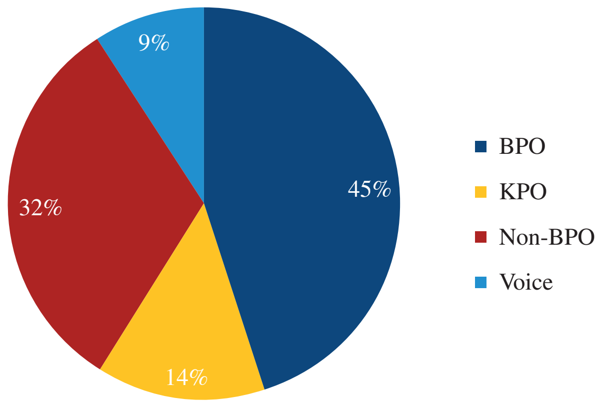
Lease rates

Building Grade	Headline		Transacted	
	Min.	Max	Min.	Max
Cebu Business Park	550	900	550	700

Source: Colliers International Research

Headline rates for buildings in Cebu Business Park ranges from ₱550 to ₱900 per sq.m., while transacted rates are from ₱550 to ₱700. This is equivalent to discounts ranging from 8.3% at its lowest, and 28.5% at its highest. Tenants who typically get big discounts are those well known companies getting a major share in the office space within the building. Developers usually accommodate these tenants just to get them in.

2019 transactions



Source: Colliers International Research
** Based on size of transaction*
*** Lower value services don't need professional skills/certification and licenses*
Does not include undisclosed tenants

As one of the major business districts in Cebu, Cebu Business Park accounted for around 43.0% of the total transactions in 2019, with the majority being BPOs. Non-BPOs, such as headquarters of developers (usually in their own buildings) also had a major role in the transactions in 2019, accounting for 31.9%.

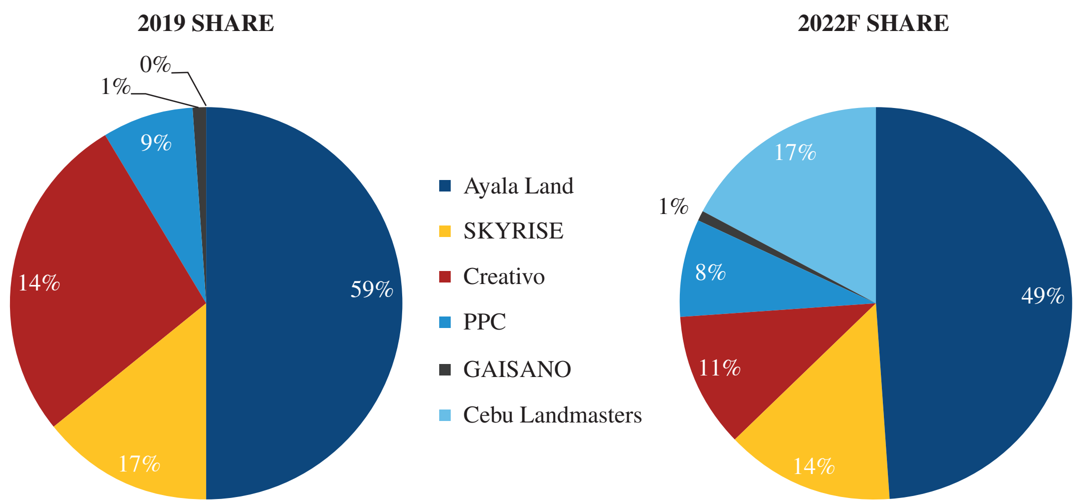
Notable transactions in CBP are 24/7 intouch, locating in One Montage for almost 9,000 sq.m. of office space, Iploy, a KPO company focused on IT also located in One Montage, and Dover Business Services Philippines Corp., also in One Montage.

Top developers

As the primary developer of the Cebu Business Park, Ayala Land dominates the office market, having 97,490 sq.m. of gross office space by the end of 2019. Skyrise is at far second, currently with 7.2% overall (including other developers) share of the market, and will have a decreased share by 2022F to a little less than a little less than 6% overall (including other developers). Cebu Landmasters will be the lone developer to increase their share and eat up the share of the top developers, as it will build 33,628.33 sq.m. worth of office space.

Developer	Total Supply as of End-2019 (GFA, in sq.m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq.m.)	Market Share (End-2022F)
Ayala Land	97,490.41	59.2%	97,490.41	49.1%
SKYRISE	27,300.00	16.6%	27,300.00	13.8%
Creativo	22,910.59	13.9%	22,910.59	11.5%
PPC	15,400.00	9.3%	15,400.00	7.8%
GAISANO	1,663.00	1.0%	1,663.00	0.8%
Cebu Landmasters	0.00	0.0%	33,628.33	17.0%
Subtotal	**164,764.00**	**100.0%**	**198,392.33**	**100.0%**
Others	***215,486.81***		***265,350.81***	
Grand Total	**380,250.81**		**463,743.14**	

Source: Colliers International Research

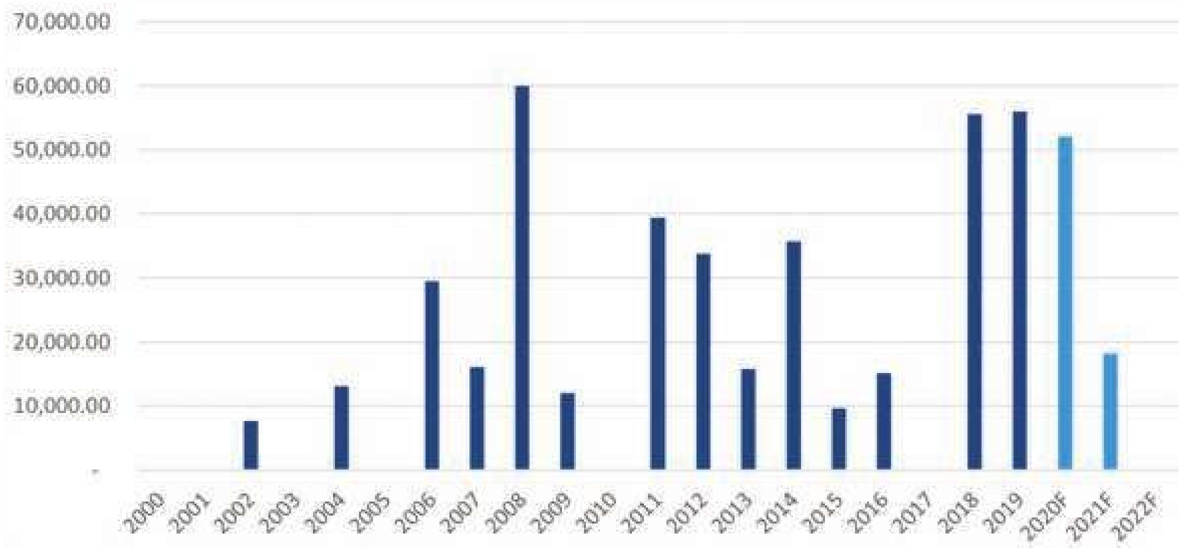


Source: Colliers International Research
** Based on Gross Floor Areas*
Note: Market share vs. major developers only

Cebu IT Park

Cebu IT park supply and demand

Unlike Cebu Business Park, Cebu IT Park, formerly known as the Asiatown IT Park, had years when there were no completions. However, in 2018 and 2019, the CBD saw consecutive years with 55,000 sq.m. of space coming on-line. Consequently, these figures are the biggest amount of space to be turned over in a year since 2008, where the Park recorded an increase in stock of about 60,000 sq.m.



Source: Colliers International Research

In 2020F, we are expecting another 50,000 to be turned over, and eventually slowdown in 2021F with only around 18,000, and none so far for 2022F. Completed buildings in 2019 were Central Bloc 1 by Ayala Land, bringing in 31,700 sq.m. of leasable space, and Skyrise 4B, accounting for 24,250 sq.m. of new supply.

Source: Colliers International Research

Vacancy levels in Cebu IT Park is hovering from nil to around 5.5% from 2015 to 2017, and increased slightly to 7.8%, and continued to increase to 9.7% in 2019. Both upticks in vacancy levels were attributed to the number of additional office spaces in available.

Lease rates

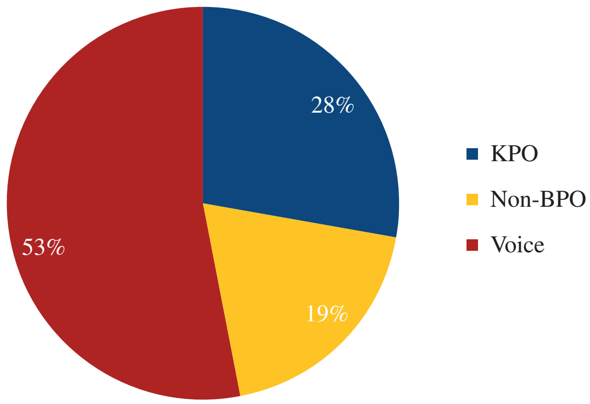
Lease rates in Cebu IT aPark are from ₱600 to ₱800 per sq.m., closing at around ₱600 to ₱715, for a discount rate of around 7.7% to 10.6%.

Building Grade	Headline		Transacted	
	Min.	Max	Min.	Max
Cebu IT Park	600	800	600	715

Source: Colliers International Research

2019 transactions

At the end of 2019, Voice BPOs account for 53% of total transactions in Cebu IT Park, followed by KPOs. Unlike Cebu Business Park, Non-BPO tenants for this CBD took up the least office space for 2019.



Source: Colliers International Research
** Based on size of transaction, excluding undisclosed transactions*

Google is one of the bigger transactions in 2019, occupying an office space equivalent to 8,599.00 sq.m. in Central Bloc Tower 1. Other tenants in the building are: Kredo and Channel Fix. Central Bloc Tower 1 is a development by Ayala Land.

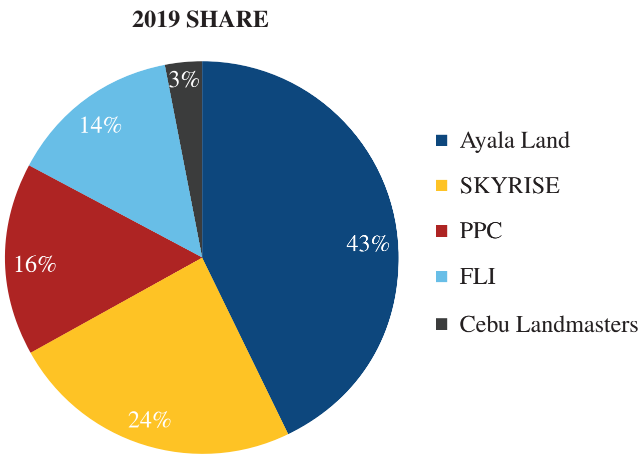
Top developers

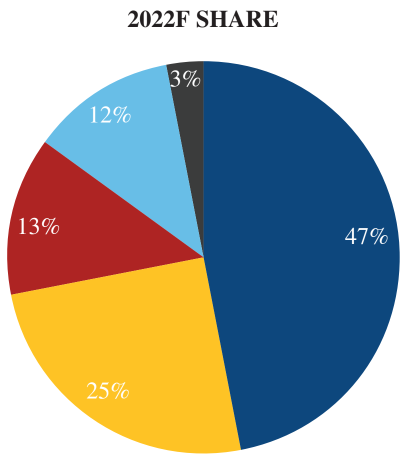
Ayala Land is the dominant developer in Cebu IT Park, accounting for 34.4% of the total office space in the CBD (43.1% if vs. major developers) of the total office space in the CBD. Skyrise is at 19.1% overall (including other developers), equivalent to 88,700.65 sq.m. of gross floor area. Primary Industrial Properties Corp (PPC), Filinvest (FLI) and Cebu Landmasters round up the top 5 developers.

Developer	Total Supply as of End-2019 (GFA, in sq.m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq.m.)	Market Share (End-2022F)
Ayala Land	159,938.00	43.1%	206,271.50	47.0%
SKYRISE	88,700.65	23.9%	109,630.65	25.0%
PPC	58,363.41	15.7%	58,363.41	13.3%
FLI	53,640.92	14.4%	53,640.92	12.2%
Cebu Landmasters	10,701.00	2.9%	10,701.00	2.4%
Subtotal	**371,343.97**	**100.0%**	**438,607.47**	**100.0%**
Others	***93,341.00***		***106,911.00***	
Grand Total	**464,684.97**		**545,518.47**	

Source: Colliers International Research

By the end of 2022F, only Ayala Land and Skyrise would have additional inventories, further increasing their market shares to 37.8% and 20.1% overall (including other developers), respectively. Meanwhile the three (3) other developers will retain their inventory levels in the next three (3) years.

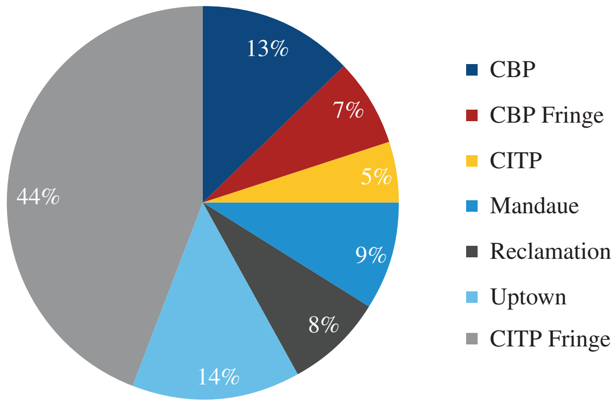




OFFICE FOR SALE MARKET RESEARCH

Stock

As of the 1st Quarter of 2020, a total of 172,976.6 sq.m. meters of office space were sold/are being sold in the Province of Cebu. The biggest of which is in the fringe of Cebu IT Park, with a single building, Cebu Exchange Tower lords over all other buildings in terms of total office space (75,938.00 sq.m.). The Uptown area comes in at 2nd, with a far 23,933.00 sq.m. found in two (2) buildings; Baseline Center and City Soho. Cebu Business Park adds 21,801.55 sq.m., with BPI Corporate Center and Latitude Corporate Center.



Source: Colliers International Research
** Based on Leasable Areas*

Only three (3) out of the total nine (9) buildings for sale are found within the business parks, BPI Cebu Corporate Center and Latitude Corporate Center in Cebu Business Park, while Park Centrale by Cebu Landmasters in Cebu IT Park. Together, they make-up 30,763.55 sq.m., or 17.8% of the total stock that was sold/are being sold.

Buildings/Location	Total Office Space (in sq.m.)
Cebu Business Park	**21,801.55**
BPI Cebu Corporate Center	15,433.55
Latitude Corporate Center	6,368.00
CBP Fringe	**12,672.00**
Avenir	12,672.00
Cebu IT Park	**8,958.00**
Park Centrale	8,958.00
Mandaue	**15,427.00**
One Mandani Bay	15,427.00
Reclamation	**14,246.00**
Grand Tower	14,246.00
Uptown	**23,933.00**
Baseline Center	3,215.00
City Soho	20,718.00
CITP Fringe	**75,938.00**
Cebu Exchange Center	75,938.00
Grand Total	***172,975.55***

Source: Colliers International Research

Among the three (3) buildings, the Latitude Corporate Center is the newest, being launched in October of 2016. However, among all the buildings, the newest is One Mandani Bay from HT Land, a joint venture between Taft Properties and Hongkong Land.

Unit Breakdown

Average unit sizes in offices for sale in Cebu range from 22.7 sq.m. in City Soho, to as much as 346.6 sq.m. in Cebu Exchange Center. Avenir and City Soho have smaller units compared to the rest of the offices for sale because these are small office home office units, and are actually within active condominium towers. Both office/condo developments are projects by local developers, King Properties and Gold Peach Properties.

On the other hand, Cebu Exchange Center has the biggest cuts, with some being as big as 1,644.00 sq.m., these belong to the lower floors, where quadrants of the floors are being sold.

Buildings/Location	Total Office Space (in sq.m.)	Ave. Unit Cut (in sq.m.)
Cebu Business Park	**21,801.55**	**85.50**
BPI Cebu Corporate Center	15,433.55	89.86
Latitude Corporate Center	6,368.00	74.95
CBP Fringe	**12,672.00**	**29.69**
Avenir	12,672.00	29.69
Cebu IT Park	**8,958.00**	**73.12**
Park Centrale	8,958.00	73.12
Mandaue	**15,427.00**	**136.52**
One Mandani Bay	15,427.00	136.52
Reclamation	**14,246.00**	**74.97**
Grand Tower	14,246.00	74.97
Uptown	**23,933.00**	**27.89**
Baseline Center	3,215.00	61.30
City Soho	20,718.00	22.70
CITP Fringe	**75,938.00**	**346.55**
Cebu Exchange Center	75,938.00	346.55
Grand Total	**172,975.55**	**191.08**

Source: Colliers International Research

** Based on Net Leasable Areas*

The most common unit cut in Cebu are less than those less than 50.00 sq.m. per unit, mainly due to the number of units in this size being offered by City Soho and Avenir. However, if these buildings are excluded, the most popular cut would be the 51.00 – 100.00 sq.m. cut, followed by the 151.00 to 200.00 sq.m..

	Less than 50 sq.m.	51-100 sq.m.	101-150 sq.m.	151-200 sq.m.	201-250 sq.m.	251-300 sq.m.	More than 300 sq.m.
Cebu Business Park							
BPI Corporate Center		80.2%	18.5%	1.2%			
Latitude Corporate Center							
CBP Fringe							
Avenir	84.6%	11.6%	0.4%	0.8%			2.5%
Cebu IT Park							
Park Centrale	10.9%	81.8%	7.3%				
Mandaue							
One Mandani Bay		39.8%	23.9%	24.8%	6.2%	5.3%	
Reclamation							
Grand Tower	47.4%	26.3%	15.8%	10.5%			
Uptown							
Baseline Center	59.3%	18.5%	22.2%				
City Soho	100.0%						
CITP Fringe							
Cebu Exchange			1.9%	60.9%			37.2%
Total	***41.0%***	***22.6%***	***8.1%***	***18.2%***	***0.5%***	***0.4%***	***9.2%***

Source: Colliers International Research

** Based on Number of Units per cut range*

Selling Price and Terms

The average selling price of office units on a per sq.m. basis is at ₱133,000.00, equivalent to ₱26.5 million for a 191 sq.m. unit, this is only almost a million short of the average total contract price (TCP) in Metro Manila (₱27 million) but for a bigger unit. Based on last available prices of units offered, the most expensive is BPI Cebu Corporate Center, with its average reaching ₱171,504.00 per sq.m.. This is followed by the Cebu Exchange Center, selling at almost ₱150,000.00, and One Mandani Bay at ₱140,000.00.

Buildings/Location	Ave. Unit Cut (in sq.m.)	Ave. P/Sqm	Ave. TCP
Cebu Business Park	**164.81**	**158,298.50**	**12,229,016.98**
BPI Cebu Corporate Center	89.86	171,504.00	13,516,885.00
Latitude Corporate Center	74.95	142,466.00	10,684,950.00
CBP Fringe	**29.69**	**93,958.00**	**2,789,613.02**
Avenir	29.69	93,958.00	2,789,613.02
Cebu IT Park	**73.12**	**87,239.00**	**6,378,915.68**
Park Centrale	73.12	87,239.00	6,378,915.68
Mandaue	**136.52**	**140,000.00**	**19,113,097.35**
One Mandani Bay	136.52	140,000.00	19,113,097.35
Reclamation	**74.97**	**95,217.00**	**7,141,275.00**
Grand Tower	74.97	95,217.00	7,141,275.00
Uptown	**84.00**	**92,240.54**	**4,735,810.09**
Baseline Center	61.30	91,403.85	5,695,157.31
City Soho	22.70	94,500.00	2,145,150.00
CITP Fringe	**346.55**	**149,730.08**	**51,897,062.15**
Cebu Exchange Center	346.55	149,730.08	51,897,062.15
Grand Total	**191.08**	**133,177.26**	**26,484,641.97**

Source: Colliers International Research

** Based on Leasable Areas*

Top Developers

Cebu Lavana Land, the subsidiary of Arthaland, has the biggest share in terms of office for sale with its Cebu Exchange Center. This was followed by Golden Peach's 20,718.00 sq.m. Alveo Land, one of ALI's subsidiaries, is at 3rd place, having almost 9% of the market, tied with HT Land.

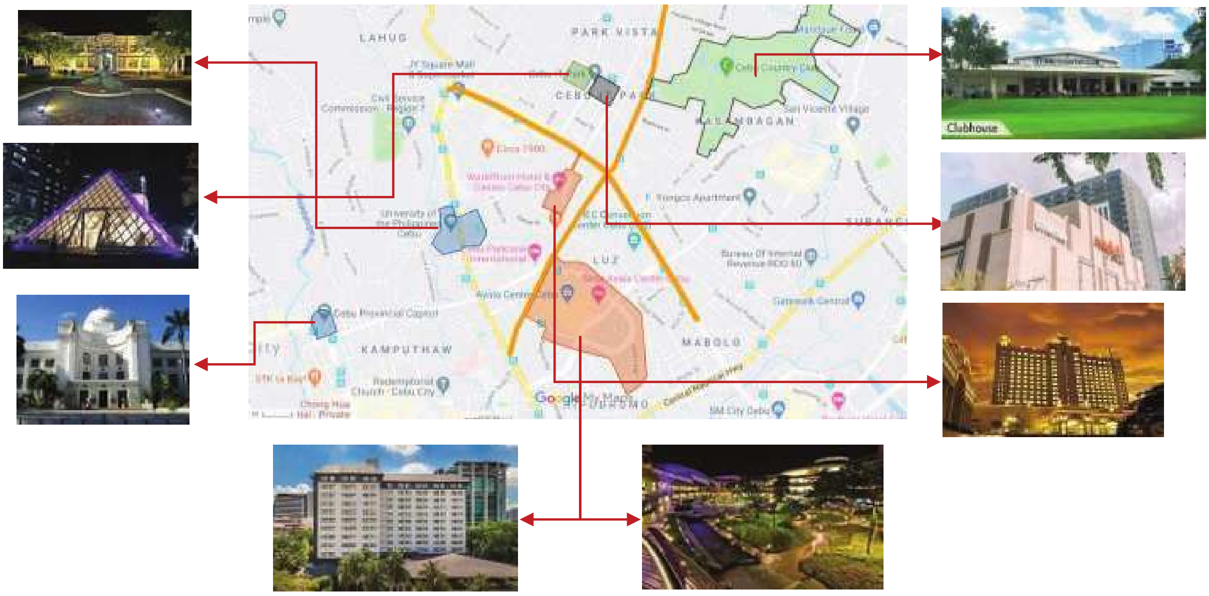
	sq.m. as of Q4 2019	Market Share
Alveo Land	15,433.55	8.9%
BL CBP Ventures	6,368.00	3.7%
Cebu Landmasters	12,173.00	7.0%
Cebu Lavana Land	75,938.00	43.9%
Gold Peach Properties	20,718.00	12.0%
Grand Land, Inc	14,246.00	8.2%
HT Land	15,427.00	8.9%
King Properties	12,672.00	7.3%

Source: Colliers International Research

** Based on Leasable Areas*

VICINITY AND SITE ANALYSIS

Location and Vicinity



Aegis People Support building (now better known as Teleperformance Cebu) is located along Villa St., within the Cebu IT Park (formerly known as Asiatown IT Park). It is located on the northern tip of the IT Park, near the residential buildings of Avida Land. Right across the street from the building is the newly-built Central Bloc, a mixed-use development by Ayala Land, which has a mall, a Seda Hotel and some office spaces. Beside Central Bloc is the open area alfresco dining, with various F&B establishments operating. This area is very popular among Cebuanos and tourists especially at night. Just outside of Cebu IT Park, 550 meters away is the Cebu Country Club. Waterfront Hotel meanwhile is 1.3 km away. Cebu Business Park, which is the second biggest CBD in Cebu is around 2.2 km away. Ayala Center Cebu, another Seda hotel and the PUJ terminal are landmarks within the Cebu Business Park. University of the Philippines Cebu and the Cebu Provincial Capitol meanwhile are 2.4km and 3.2km away, respectively.

Below are the different landmarks in Cebu versus their distance to Teleperformance Cebu.

Teleperformance Cebu	Distance in KM	Distance in Minutes (by Walking)
Central Bloc	0.23	3 mins
Waterfront Hotel	1.3	17 mins
Cebu Country Club	0.55	6 mins
Cebu Business Park	2.2	7 mins (car)
UP College Cebu	2.2	6 mins (car)
Cebu Provincial Capitol	3.2	10 mins (car)
Cebu City Hall	5.7	15 mins (car)
Mactan-Cebu International Airport	13	31 mins (car)
Cebu Passenger Port	5.3	14 mins (car)

General description of the property

Teleperformance Cebu	
Address	Villa St., Asiatown IT Park, Cebu City
Land Area	3,621 sq.m.
Zoning*	Block 8*
Allowable Uses*	Office/Residential/Retail – retail outlets may be permitted in buildings provided that such outlets are limited to the first two (2) floors (above ground) of the building.
Allowable Floor Area Ratio*	6.0, minimum of three (3) floors, and no building height restriction

Note: Based on the Declaration of Covenants, Conditions and Restrictions of CITP provided by the Client.

Teleperformance Cebu is a 13-storey mixed-use Grade A rated building, with retail areas and entertainment facilities on its second floor. The penthouse serves as an amenity deck with a landscaped garden as well as a waterscape. It covers a lot area of 3,61 sq.m. and a total gross floor area of 24,229.15 sq.m. Based on the Declaration of Covenants, Conditions and Restrictions of Cebu IT Park, it is located on a plot where multiple uses are allowed, and a maximum FAR of 6.0. No height restrictions are in place, but CITP has prescribed all buildings with this zoning a minimum of three (3) floors. Retail uses are allowed as long as it only takes 20% of the total GFA of the building, and will be located in the first two (2) floors. A parking ratio of one (1) slot for every 100 sq.m. GFA is also prescribed.

Swot analysis of the property

Strengths

Location

Teleperformance Cebu is strategically located within Cebu IT Park, the premier central business district of Cebu, specializing on IT/BPO Companies. It is the preferred location for most of the bigger IT/BPO/KPO companies in the Province, as it has within its vicinity a rich talent pool, 24/7 services, and great accessibility.

PEZA Accredited and Grade A

The building is PEZA accredited and rated as Grade A, and the lack of PEZA accreditations being handed out to Metro Manila buildings has become an advantage to provincial locations, as some locators now look to the provinces either for redundancy purposes, or just a new location. It also takes a while for PEZA accreditations to get released, so buildings without it have to compromise rent in order to still get tenants. Availability of Grade A in Cebu is also limited, especially those that are targeted towards BPOs/KPOs. Most of the buildings are Grade B.

Sizeable floorplate

The typical floorplate of the building is just right for the minimum requirement of the BPOs, but not extremely big that it is still flexible and can be divided into quadrants for smaller locators.

High Efficiency within the Units

As the efficiency of TP Cebu is 100% (i.e. net useable area is equivalent to gross leasable area), the tenants effectively pay rent only for the area they use and occupy. In contrast, most other buildings' efficiency is less than 100%, tenants pay for net useable area plus a share in the common areas.

Well maintained and professionally managed

TP Cebu started operations in 2011 and was bought by Ayala Land recently. And given the track record and branding of Ayala Land, the building has been professionally managed since, keeping the building well-kept and maintained, as compared to other buildings built during the same era.

Availability of Retail Dining and Entertainment Options in the Building

TP Cebu is a mixed-use building, with two (2) of its floors having retail dining options, gym and basketball court, as well as a game room for the tenant of the building. It also has landscaped gardens in the penthouse for relaxation of the employees.

Proximity to Central Bloc

Central Bloc, the newest development of Ayala Land is just a few meters away. This gives the tenants of TP Cebu more dining options, as well as other support options such as banks, services, and convenience stores. The Seda Hotel is also just within the Central Bloc, and if the tenants will have guests, they will not have problems in accommodating them nearby.

Weaknesses

Small windows

Due to the building's age, the windows are smaller than newer buildings with high glass ration, with a slightly lower amount of natural light coming into the offices. With the move towards green initiative and wellness among employees, the amount of natural light coming into the office becomes more and more important. However, some tenants still prefer lower glass ratio to reduce aircon consumption.

Opportunities

New industries entering the market and looking for office spaces

Other than the typical BPO and traditional companies looking for office spaces in Makati CBD, new industries such as flexible workspaces and English as Secondary Language (ESL) schools have also been observed to be entering the market and getting significant spaces in different buildings within the business parks.

Entry of big-name companies

Recent transactions have seen Google and Amazon take space in newer buildings in Cebu. These kind of brands and companies act as testimonies to how well Cebu has been performing in terms of producing quality talent pool, ease of business, and up-to-date building specifications. These will definitely catch the eye of several other companies to locate in the province.

Threats

Work-from-home

With the Telecommuting Act now signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might have some slowdown due to this, as workers can now work from home, and the number of seats can now be lessened, or maintained, even as the companies expand. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

Newer buildings, cheaper options

As some lots are being redeveloped and built as either office or residential buildings, the number of competition increases. These newer buildings pose as threat, as some are willing to drop prices to get good-name tenants to their buildings.

Emergence of Fringe locations

Due to the lack of developable space within the CBDs, big developers have looked to the fringes of the CBDs and developing massive office buildings. Because these buildings are just outside of the CBDs, they also still enjoy the benefits of being within the CBDs, with the exception of the PEZA-accredited status.

OUR SPONSOR

Overview of our Sponsor

Our Sponsor, Ayala Land, Inc., is a public corporation organized under the laws of the Philippines. Spun off from its parent company, Ayala Corporation, in 1988, Ayala Land focuses on the real estate business of the Ayala group. Ayala Land went public in July 1991 when its class “B” common shares were listed on both the Manila and Makati Stock Exchanges. In 1997, the SEC approved the declassification of Ayala Land’s common class “A” and common class “B” shares into common shares. As of the date of this REIT Plan, 44.48% of Ayala Land’s common shares are held by Ayala Corporation, 54.64% are held publicly, and 22.96% are held by foreign owners.

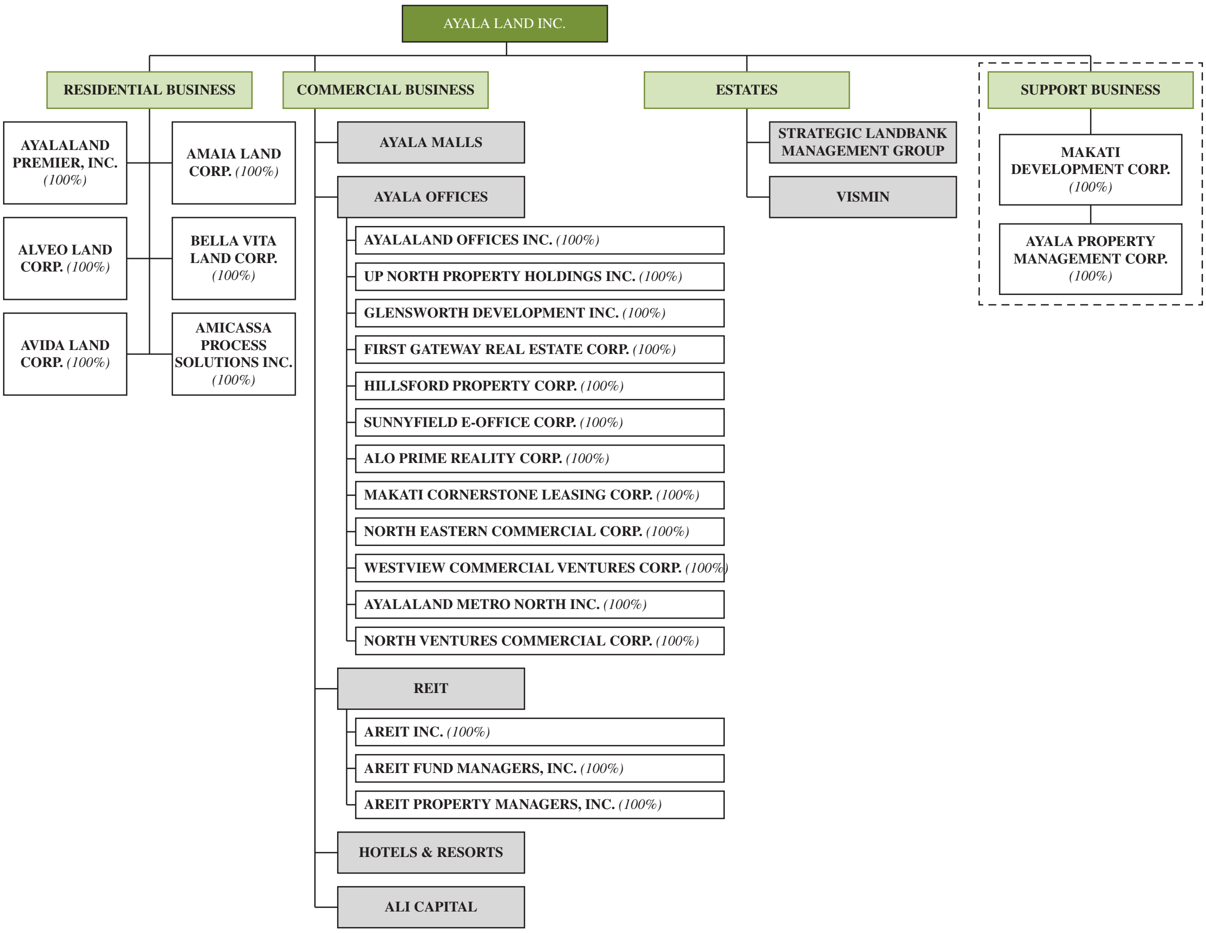
Ayala Land is the largest property developer in the Philippines with a solid track record in developing large-scale, integrated, mixed-use, sustainable estates that are thriving economic centers in their respective regions. Ayala Land has successfully developed properties in and transformed the neighborhoods of the Makati CBD, Ayala Alabang, Cebu Park District, Bonifacio Global City, and Nuvali. With 12,192 hectares in its land bank, 26 developed estates, and presence in 57 growth centers across the country, as of the date of this REIT Plan, Ayala Land holds a balanced and complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses. Ayala Land has ample experience in the real estate industry in the Philippines, focusing its business on strategic business lines, including property development, commercial leasing, hotels and resorts, and real-estate-adjacent services.

Ayala Land’s property development activities concern the sale of high-end residential lots and units (including leisure community developments), office spaces, commercial and industrial lots, middle-income residential lots and units, affordable lot units and house and lot packages, economic housing units and house and lot packages, and socialized housing packages, and the lease of residential units and marketing of residential developments. These products are developed and sold through Ayala Land Subsidiaries under a variety of brands, including AyalaLand Premier for high-end village lots and condominium units; Alveo Land Corp. for upscale village lots, condominium and office units; Avida Land Corp. for middle-income village lots, house and lot packages, condominium and office units; Amaia Land Corp. for economic house and lot packages; and BellaVita Land Corp. for the socialized house and lot packages. Ayala Land’s properties are not part of AREIT’s portfolio.

Ayala Land’s experience with commercial leasing is broad and encompasses the development and leasing of office buildings, factory buildings, shopping centers, and hotels and resorts. This experience also includes the operation of movie theaters, food courts, entertainment facilities, and carparks in developed shopping centers; management and operations of malls which are co-owned with partners; and operation and management of branded and owner-operated hotels.

Ayala Land also offers real estate related services such as construction, for land development and construction of Ayala Land and third-party projects, and property management, for properties of Ayala Land and third-party projects. Such property management activities also include operation of water and sewage treatment facilities, distribution of district cooling systems, and bulk purchase and supply of electricity for energy solutions. Construction and property management services are led by Ayala Land’s Subsidiaries, Makati Development Corporation and Ayala Property Management Corporation, respectively.

As at the date of this REIT Plan, our Sponsor's group structure is as follows:



Note: Percentages represent direct and indirect ownership.

Track Record of our Sponsor

Since its inception in 1988, our Sponsor and its Subsidiaries have established a strong presence and track record in its core business market of the Philippines. Some of the notable milestones of our Sponsor and its Subsidiaries include:

1988	Establishment of Ayala Land, Inc.
1991	Ayala Land went public with its class "B" common shares listed both in the Manila and Makati Stock Exchanges.
1997	SEC approved the declassification of Ayala Land's common class "A" and common class "B" shares into common shares.
2013	Ayala Land exceeded its ₱10 billion net income target under its 5-10-15 Plan, one year ahead of schedule, attaining ₱11.7 billion in 2013.
2014	Ayala Land successfully ended its *5-10-15 Plan*, achieving ₱14.8 billion in net income in five years and rolled-out its new *2020-40 Plan* to investors which entails achieving ₱40 billion in net income by 2020 through balanced growth.
2015	Ayala Land launched 3 new estates: Vermosa, Cloverleaf, and Capitol Central.
2016	Ayala Land launched 43 new projects worth ₱87.8 billion, including 28 residential projects, one office for sale, five shopping centers, four offices, and six hotels and resorts.

2017 Ayala Land announced its carbon neutrality target by 2022 on its leasing assets.

2018 Ayala Land's net income reached ₱29.2 billion. Ayala Land introduced two new estates, Parklinks and Habini Bay. Ayala Land registered its highest level of residential sales at ₱141.9 billion.

2019 Ayala Land launches three new estates: The Junction Place, Broadfield, and Cresendo

Ayala Land has consistently been recognized in the real estate industry in the Philippines and in Asia for its superior products and services. Since 2016, Ayala Land has been awarded the following:

Award giving body	2016 recognitions
Finance Asia	Best Managed Company in the Philippines (2nd)
	Best CFO in the Philippines (Jaime Ysmael)
	Best in Corporate Social Responsibility
	Best in Corporate Governance (2nd)
	Best Investor Relations Company (6th)
Corporate Governance Asia	Best Environmental Responsibility
	Best Investor Relations Company (Philippines)
	Asia's Best CEO (Investor Relations) – Bernard Vincent O. Dy
	Asia's Best CFO (Investor Relations) – Jaime E. Ysmael
Frost and Sullivan	Property Development Company of the Year
Institutional Investors' Governance Awards	Plaque of Recognition, one of the Top Publicly-listed Corporations in the Philippines in Corporate Governance
Euromoney Real Estate Survey	Overall Best Property Developer
	Overall Best Residential Developer
	Overall Leisure/Hotel Developer
	Overall Best Industrial/Warehouse Developer
Institutional Investor	Best CEO, Property Sector (Sell-Side, 1st) – Bernard Vincent O. Dy
	Best IR Program, Property Sector (Overall, 1st)
	Best CFO, Property Sector (Overall and Sell-Side, 1st) Jaime E. Ysmael
	Best IR Program, Property Sector (Overall, 1st)
	Best Website, Property Sector (Overall, 1st)
	Best Analyst Days, Property Sector (Overall, 1st)
	Best IR Professional, Property Sector (No. 2, Sell-Side) – Michael L. Garcia
IR Magazine Awards Southeast Asia 2016	Best (Investor Relations) in the Real Estate Sector (Southeast Asia)
	Certificate of Excellence in Investor Relations

Award giving body	2016 recognitions
Asia Pacific Property Awards	Best Commercial Landscape Architecture Philippines: South Park District
	Best Office Interior Philippines: Avida Headquarters
	Best Developer Website Philippines and Asia Pacific: avidaland.com (qualified to the overall International Property Awards)
Stevie International Business Award	Silver: Real Estate Marketing Campaign of the Year
FIABCI-Philippines International Real Estate Federation	Outstanding Developer under the Environmental Category: Anvaya Cove
Asian Golf Awards	2016 Best Golf Resort in Asia Pacific (1st Runner-up): Anvaya Golf and Sports Club
	2016 Best Golf Course in the Philippines: Anvaya Golf and Sports Club
Department of Energy	Don Emilio Abello Award for Energy Efficiency (13 awards)
Safety Organization of the Philippines Inc.	Safety Organization of the Philippines Inc. (SOPI) National Fire Competition

Award giving body	2017 recognitions
Finance Asia	4th Best Managed Company in the Philippines
	3rd Most Committed to Corporate Governance
	8th Best at Investor Relations
	3rd Best CFO – Jaime E Ysmael
	17th Finance Asia's Best Companies in Asia Poll
RobecoSAM The Sustainability Yearbook	Cited as one of the world's most sustainable companies
BCI Asia Awards	Cited as one of the best developers for 2017
Asia Corporate Excellence and Sustainability Awards (ACES)	Most Socially Responsible Company of the Year – Asia
Asiamoney	Best Corporate Brand in the Philippines
Philippine Dealing & Exchange Corp.	Recognized for SEC shelf registration optimization and innovative Homestarter Bonds
Frost and Sullivan Best Practices Award	Company of the Year – Philippine Property Development
World Branding Awards 2017 – 2018	World Branding Forum's Brand of the Year
The Stevie Awards	Gold: Ayala Land Corporate Video "Reshaping Lives with Ayala Land"
	Silver: Nuvali Magical Field of Lights (Best Exhibition Display)
Lamundi Philippines Online Survey	Best Condo Developer
	Developer with Best Amenities
	Best Mixed-use Developer for Nuvali
IR Magazine	Finalist – Best in Country category

Award giving body	2018 recognitions
Institutional Investor	Most Honored Company in the Philippines
	Best CFO of the Year Philippines (Augusto D. Bengzon)
	Best Investor Relations Program
	2nd Best ESG/SRI Metrics
	2nd Best Corporate Governance
	3rd Best Analysts Days
Robeco SAM	ALI listed in the 2018 Sustainability Yearbook
Punongbayan and Araullo	ALI Internal Audit scores 97% in External Quality Assessment Review
Philippine Business Coalition for Woman Empowerment	Certification for gender equality
PDS Group	Issuer of the Year
PRSP/Anvil	Gold: Ayala Malls Community video
	Silver: ALI Groundbreakers 2017
	Silver: AyalaMalls Play
	Silver: AyalaMalls Merchant Rewards
	Silver: ALI Corporate Video 2017
	Silver: Avida Grand Neighbor Day
International Property Award	Best Office Development in the Philippines: Alveo's The Stiles Enterprise Plaza
	Citation for Best Residential High-rise project: Alveo's Portico
PropertyGuru Philippines Property Awards	Best High-End Condo Development Award (Metro Manila): Alveo's Portico
	Commended for Office Development: Alveo's The Stiles Enterprise Plaza
IABC Philippine Quill	Top Award for Communications Skills: Corporate Video "Reshaping"
	Award of Excellence: "Reshaping" corporate video
	Award of Excellence: Campaign LED
	Award of Merit: Groundbreakers
	Award of Merit: Avida Choose to Move
Nikkei Asian Review (Top 100 Asia Companies and 300 Power Performers)	ALI leads all PH firms and is ranked 42nd overall
Institute of Corporate Directors	Top 10 in Corporate Governance in the Philippines

Award giving body	2018 recognitions
International Business Awards (Stevies)	Bronze: Management Team of the Year
	Gold: Marketing Campaign of the Year (Real Estate) for Avida's Choose to Move Campaign
	Bronze: Video Award of the Year for "With Every Step"
	Gold: Website Award (Real Estate) Avida Land
	Gold: Publication Award for Best House Organ for Customers
ICSC 2018 Asia Pacific Shopping Center Awards	Gold Award for cause-related marketing (Tienda sa Ayala Malls)
IR Magazine	Best in Sector: Real Estate (Southeast Asia)
	Best in Country: Philippines
	Best Financial Reporting
	Best IR Website
	Nominated for Best Overall in Southeast Asia
	Nominated for Best Investor Relations Professional
	Nominated for Best in ESG Reporting
Lamudi Outlook 2018	Best Developer of the Year (Luzon)
	Best Premium Condominium (VisMin): Alveo Solinea
	Best Premium Condominium (Luzon): Avida Asten
	Best Affordable Condominium (VisMin): Amaia Mandaue
Finance Asia	2nd Best in Investor Relations
	4th Most Committed to Corporate Governance
	5th Best in Corporate Social Responsibility
	8th Best Managed Company
Frost and Sullivan	Philippine Property Development Company of the Year
Asiamoney	Most Outstanding Company in the Real Estate Sector

Award giving body	2019 recognitions (as of September 30, 2019)
Euromoney	Best Developer – Philippines
Asiamoney	Most Outstanding Company for Real Estate – Philippines
Robeco SAM	ALI listed in the 2019 Sustainability Yearbook
ING-FINEX	CFO of the Year
Corporate Treasurer Awards	Asia's Best CFO
Institutional Investor	Philippines' Most Honored Company
	3rd Best CFO
	1st Best CFO
	1st Best ESG Reporting
	1st Best Corporate Governance
	2nd Best IR Company
	2nd Best IR Professional

Award giving body	2019 recognitions (as of September 30, 2019)
ASEAN Corporate Governance Scorecard	4-arrow distinction (one of only 6 companies in the Philippines)
Philippines Sustainable Business Awards	Best Overall
	Best Stakeholder Engagement and Materiality
	Special Recognition – Water Management
	Special Recognition – Strategy and Sustainability Management
	Special Recognition – United Nations Sustainable Development Goals
IR Magazine Awards	Global Top 50 in Investor Relations Excellence
	Top 5 Globally in Finance and Real Estate Sector
	Best Annual Report (Large Cap) Southeast Asia
Frost and Sullivan	Property Development Company of the Year – Philippines
Finance Asia	6th Best Managed Company – Philippines
	2nd Best Growth Strategy
	4th Best ESG
Corporate Governance Asia	Best CEO (Investor Relations)
	Best CFO (Investor Relations)
	Best Investor Relations Company
	Best Environmental Responsibility
World Branding Awards	Brand of the Year Property Development – Philippines
Asia CEO Awards	CSR Company of the Year

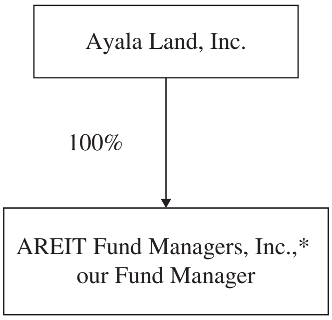
OUR FUND MANAGER AND OUR PROPERTY MANAGER

Our Fund Manager of the Company

Our Fund Manager, AREIT Fund Managers, Inc., is a corporation, incorporated under the laws of the Philippines.[25] Formerly named AyalaLand Commercial REIT, Inc., our Fund Manager changed its name and primary purpose on February 27, 2020. Its registered office is at 32nd Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, the Philippines.

Our Fund Manager is a wholly-owned Subsidiary of Ayala Land, Inc.

The chart below sets out the ownership structure of our Fund Manager as of the date of this REIT Plan:



* The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.

Save as is disclosed in this REIT Plan, our Fund Manager is not engaged in any property fund business in the Philippines.

Our Fund Manager has general power of management over the assets of our Company, pursuant to the Fund Management Agreement, a five-year, renewable agreement defining the relationship between our Company and our Fund Manager. See the section entitled "Certain Agreements Relating to our Company and the Properties – Fund Management Agreement" in this REIT Plan. Pursuant to the Fund Management Agreement, our Fund Manager's main responsibility is to manage our Company's assets and liabilities for the benefit of our Shareholders. Our Fund Manager will manage the assets of our Company with a focus on generating Rental Income and, if appropriate, increasing our Company's assets over time so as to enhance the returns from the investments of our Company and, ultimately, the distributions to our Shareholders. For a more detailed discussion on our Company's strategy, see the section entitled "Business and Properties – Business Strategies" in this REIT Plan.

Our Fund Manager shall, pursuant to the provisions of the REIT Law and the Fund Management Agreement, perform the following general functions:

- implement the investment strategies of our Company by:
    - determining the allocation of our Company's assets to the allowable investment outlets in accordance with this REIT Plan and the investment strategies of AREIT; and
    - selecting income-generating real estate in accordance with the investment strategies of AREIT;

      For this purpose, however, notwithstanding the written instructions of our Company, it shall be the fiduciary responsibility of our Fund Manager to objectively evaluate the desired investments, and formally advise the Company of its recommendation, even if contrary to the Company's instructions;

[25] The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.

- oversee and coordinate property acquisition, leasing, operational and financial reporting (including operating budgets), appraisals, audits, market review, accounting and reporting procedures, as well as financing and asset disposition plans;

- cause a valuation of any of the real estate and other properties of our Company to be carried out by the Company's appointed property valuer once a year and whenever our Fund Manager believes that such valuation is appropriate;

- take all necessary measures to ensure:

  - that the Net Asset Value per Share of the Company is calculated as and when an annual valuation report is issued by the Company's appointed property valuer for the relevant period, and that such Net Asset Value per share is disclosed in the annual reports;

  - that the investment and borrowing limitations set out in this REIT Plan and the conditions under which the REIT was authorized are complied with;

  - that all transactions carried out by or on behalf of the Company are conducted at arm's length;

  - that at all times the Company has proper legal title to the real estate it owns, as well as to the contracts (such as property contracts, rental agreements, joint venture or joint arrangement agreements, and any other agreements) entered into on behalf of the scheme with respect to its assets and that each such contract is legal, valid, and binding and enforceable by or on behalf of the Company;

  - that our Property Manager obtains adequate property insurance for the real properties of our Company from insurance companies approved by our Fund Manager;

- take custody of all relevant documents supporting the insurance taken on real properties of the Company;

- provide research and analysis on valuation and market movements of our Company's assets, including the monitoring of the real estate market for desirable opportunities and recommend, from time to time, to the Board, the formulation of new, additional, or revised investment policies and strategies;

- recommend the appropriate capital structure for our Company;

- manage assets and liabilities, including investment of corporate funds in money market placements and arrangement of debt for our Company;

- negotiate and finalize loan documents on behalf of our Company and determine debt drawdowns;

- recommend to the Board when to make capital calls and, where appropriate, enforce or cause the enforcement of remedies for failure of Shareholders to deliver capital contributions;

- open, maintain, and close accounts, including custodial accounts with banks, and subject to applicable Philippine law, including banks located outside the Philippines, and draw checks or other orders for the payment of monies;

- submit periodic reports to our Company: (i) on an annual basis, audited financial statements of the Company; and (ii) on a quarterly basis, (1) unaudited financial statements of the Company and (2) status reports on the proposed investments of the Company;

- do such other acts as is necessary or advisable in connection with the maintenance and administration of the assets of our Company including ensuring that all investors of the Company are provided with appropriate and relevant information and communications as well as supervising all consultants and other service providers of the Company;

- negotiate for and implementing the purchase of assets to be held by our Company for investment;

- perform legal review, documentation, structuring, and due diligence on assets to be acquired;

- where necessary in the reasonable determination of our Fund Manager, retain persons, firms or entities to provide certain management and administrative services, including tax, corporate secretarial, and accounting services;

- pursue various exit options and make necessary strategic recommendations to our Company;

- accredit insurance companies for purposes of providing a list of approved insurance companies to our Property Manager for the real properties of our Company;

- fully, properly, and clearly record and document all procedures and processes followed, and decisions made in relation to whether or not to invest in a particular property;

- establish and understand the investment objectives, instructions, risk profile, and investment restrictions of our Company prior to making any investment recommendations or carrying out any transactions for or on behalf of the Company;

- do any and all acts on behalf of our Company as it may deem necessary of advisable in connection with the management and administration of our Company's assets, including without limitation, the voting of assets, participation in arrangements with creditors, the institution and settlement of compromise of suits and administrative proceedings and other like or similar matters, and to perform all acts and enter into and perform all contracts and other undertakings that it may deem necessary or advisable or incidental thereto; and

- perform all such functions necessary and incidental to asset management.

In summary, our Fund Manager will set the strategic direction of our Company and make recommendations to the Board on the acquisition, divestment, or enhancement of assets of our Company in accordance with its investment strategy as stated in this REIT Plan. The research required for these purposes will be coordinated and carried out by our Fund Manager.

Our Fund Manager will supervise our Property Manager, which will perform day-to-day property management functions at the Properties, including leasing, accounting, marketing, promotion, and insurance functions.

Further, our Fund Manager will prepare property plans on a regular basis which may contain proposals and forecasts on net income before tax, capital expenditure, sales and valuations, explanation of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, occupancy costs, and any other relevant assumptions. The purpose of these plans is to explain the performance of our Company's assets.

In the absence of fraud or negligence by our Fund Manager, it shall not incur liability by reason of any error of law or any matter or thing done or suffered or omitted to be done by it in good faith under the Fund Management Agreement.

Fund Management Fee

Under the Fund Management Agreement, our Fund Manager will receive a Management Fee, equivalent to 0.10% of the Deposited Property Value plus 3.5% of the EBITDA before deduction of fees payable to our Fund Manager and Property Manager and after deducting interest expense on lease liabilities for the relevant period, exclusive of value-added taxes. Our Fund Manager shall likewise be entitled to an Acquisition Fee equivalent to 1% of the acquisition price, for every acquisition made by it on behalf of our Company, exclusive of value-added taxes, as well as a Divestment Fee of 0.50% of the sales price for every property divested by it on behalf of our Company, exclusive of value-added taxes. The total amount of the management fee, acquisition fee, and divestment fee, paid to our Fund Manager in any given year shall not exceed 1% of the Net Asset Value of the properties under management (the Management Fee, Acquisition Fee, and Divestment Fee shall be collectively referred to as "**Fund Management Fee**"). The Fund Management Fee is structured to align the interests of our Fund Manager and the Shareholders. As such, the Fund Management fee is calculated based on the Deposited Property Value plus the Company's EBITDA prior to deduction of the fees payable to our Fund Manager and our Property Manager and after deducting interest expense from lease liabilities. For the avoidance of doubt, the Company's EBITDA includes interest income from finance lease. For the purposes of calculating the Fund Management Fee, Deposited Property Value is defined as the total value of the Company's assets reflecting the fair market value of the total assets held by the Company and under management by our Fund Manager. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = (0.0010 x Deposited Property Value for the relevant period)
+ (0.035 x EBITDA before deduction of fees payable to our Fund Manager and Property Manager and after deducting interest expense from lease liabilities for the relevant period)
+ (0.01 x acquisition price for every acquisition made, if applicable)
+ (0.0050 x sales price for every property divested, if applicable)

The Management Fee, Acquisition Fee, and Divestment Fee (collectively, the Fund Management Fee) shall be due and payable to our Fund Manager in quarterly installments. The relevant period refers to the quarter for which the Fund Management Fee is to be applied.

For purposes of determining EBITDA, our Fund Manager shall be paid the Management Fee based on an unaudited computation of AREIT's EBITDA for the relevant quarter. For purposes of determining Deposited Property Value on a quarterly basis, the Deposited Property Value of AREIT's assets as of the last day of the immediately preceding calendar quarter divided by four (4) shall be used as the basis. In the event that there is a discrepancy in the unaudited and audited figures of EBITDA and in the valuation of AREIT's assets, the Management Fee paid to Fund Manager for the relevant calendar year shall be correspondingly adjusted.

Termination of the Fund Management Agreement

Either the Company or our Fund Manager, as the case may be, may terminate the Fund Management Agreement on the following grounds:

1. a material breach, default, or failure of either party to comply with its obligations and undertakings under Fund Management Agreement;

2. the cessation of the corporate existence of our Fund Manager, or the failure of our Fund Manager to obtain or maintain any license required by applicable Philippine law for its appointment as Fund Manager and the performance of services;

3. the cessation of the corporate existence of the Company, or the change of the principal stockholders of the Company;

4. the insolvency of either party, or suspension of payment of its debts, or the commission by either party of any act of bankruptcy under applicable Philippine law; and

5. the suspension or withdrawal or revocation of any material license or permit necessary for either party's performance of its obligations under the Fund Management Agreement, or any adverse decision rendered by any court or government agency permanently affecting either party's performance of its obligations under Fund Management Agreement, and the effects of such suspension, withdrawal, or revocation of license or permit, or such adverse decision cannot be remedied or persists or continues to remain un-remedied.

Conflict of Interest

If our Fund Manager has a material interest in a transaction with or for our Company, or a relationship which gives rise to an actual or potential conflict of interest in relation to such transaction, it shall neither advise, nor deal in relation to the transaction unless it has fully disclosed that material interest or conflict to our Company and has taken all reasonable steps to ensure fair treatment of our Company.

Our Fund Manager shall establish, maintain, and implement policies and procedures to ensure fair and equitable allocation of resources among its clients, including our Company. It shall ensure that the amount of commission or management fee earned from any particular client or transaction shall not be the determining factor in the allocation of resources, and that there is an effective system of functional barriers (firewalls) in place to prevent the flow of information that may be price sensitive or material and non-public between the different areas of operations. Finally, our Fund Manager shall establish, maintain, and implement written policies and procedures to ensure that the interest of related parties shall not supersede the interests of the Company. It shall fully disclose such policies to our Company.

Our Fund Manager has adopted its "Policy and Procedure on Confidentiality" to protect the integrity and confidentiality of the information relating to the funds and properties of the Company. It has also adopted its "Related Party Transactions Policy" which defines related party relationships and transactions and sets out guidelines and categories that will govern the review, approval and ratification of these transactions by the Board of Directors or Shareholders to ensure the related party relationships have been accounted for, and disclosed, in accordance with International Accounting Standard 24 on Related Party Disclosures and in accordance with the rules of the SEC on material related party transactions.

Directors and Executive Officers of our Fund Manager

Our Fund Manager's board of directors is entrusted with the responsibility for the overall management of our Fund Manager, while our Fund Manager's executive officers are responsible for implementation. The current position, role, and business and working experience of each of the directors and executive officers of our Fund Manager is set out below:

Name	Age	Nationality	Position
Enrique K. Yupangco	50	Philippines	Director and Chairman
Patricia Gail Y. Samaniego	40	Philippines	Director, President and Chief Executive Officer
Ma. Angela E. Ignacio	46	Philippines	Independent Director
Eduardo F. Saguil	57	Philippines	Independent Director
Jessie D. Cabaluna	62	Philippines	Independent Director
Bianca Camille B. Catolico	32	Philippines	Treasurer
Ma. Florence Therese dG. Martirez-Cruz	34	Philippines	Corporate Secretary
Rizza Anne O. Sy	31	Philippines	Assistant Corporate Secretary

Enrique K. Yupangco, *Director & Chairman*

Mr. Enrique K. Yupangco is a director and Chairman of our Fund Manager. Mr. Yupangco began work for Ayala Land in 2005 as an Account Officer. Presently, he is a Division Manager for Ayala Land, a position he assumed in 2015. Mr. Yupangco also currently serves as a director for a number of companies in the Group, including First Gateway Real Estate Corp., Glensworth Development, Inc., ALO Prime Realty Corp., and Sunnyfield E-Office Corp. He is the Treasurer and Corporate Secretary of Mesa ni Misis, Inc. Mr. Yupangco studied at Boston University where he obtained his Bachelor of Arts in 1993. He is also a graduate of the Ayala Leadership Acceleration Program.

Patricia Gail Y. Samaniego, *Director, President & Chief Executive Officer*

Ms. Patricia Gail Y. Samaniego is the President and Chief Executive Officer of our Fund Manager, as well as a director. Since 2008, Ms. Samaniego has worked for the Group as a Business Development Manager. In that role, she has conducted business and project development for several Ayala Land Subsidiaries, including AyalaLand Offices, ALI Capital Corporation, and Ayala Malls Group. She has acted as the Head of Business Development, Senior Division Manager, since 2017. Ms. Samaniego also serves as a director for a number of companies in the Group, including AyalaLand Offices, Inc., First Gateway Real Estate Corp., UP North Property Holdings, Inc., Glensworth Development, Inc., Hillsford Property Corporation, ALO Prime Realty Corp., and Sunnyfield E-Office Corp. Ms. Samaniego obtained her Bachelor of Arts degree in Management Economics from Ateneo de Manila University and her Master's in Business Administration from the Asian Institute of Management.

Ma. Angela E. Ignacio, *Independent Director*

Ms. Angela E. Ignacio acts as an independent director of our Fund Manager. She is also Managing Director of both Polestrom Consulting, Inc. and Avisez Asia, Inc. She is a director and Executive Vice President of RAICON Development Corporation as well as a director of ESNA Financing & Investment Corp., ESNA Realty Corp., and ESNA Holdings. She further works part time as a consultant for Congressman Victor Yap. Previously, Ms. Ignacio has served as an independent director of Ayala Land, an international consultant for the World Bank, and a consultant for Lincoln Indicators Australia. She has also previously worked for the Government, serving as undersecretary for the Governance Commission for Government Corporations, as special assistant to the Secretary of Finance, and as Vice President of the Philippine Deposit Insurance Corp.

Ms. Ignacio attained a Bachelor of Science in Applied Economics and a Bachelor of Science in Commerce from De La Salle University. She then acquired her Masters in Applied Finance from the University of Melbourne. In addition, she has undergone the Emerging Leaders Program at Harvard University's John F. Kennedy School of Government and the Professional Directors Program at the Institute of Corporate Directors.

Eduardo F. Saguil, *Independent Director*

Mr. Eduardo F. "Loy" Saguil is a director of our Fund Manager. In addition, he is currently the Managing Partner of Redpeak Capital Holdings, Inc., a real estate and private equity advisory firm located in Makati where he has worked since 2007. Prior to 2007, Mr. Saguil served as the Country Head for Capmark Philippines (formerly GMAC Commercial Mortgage), the U.S. real estate investment subsidiary of General Motors; the Country Head of Merrill Lynch Global Principal Investments (Asia Pacific); the Executive Director – Real Estate Finance and Securitization of CIBC World Markets, the U.S. investment banking division of the Canadian Imperial Bank of Commerce; the Vice President of Prudential Securities in New York; and as a research and sales associate for Nomura Securities International. Mr. Saguil attended Boston University where he obtained his Bachelor of Science in Business Administration, with a concentration in Finance. He then achieved his MBA from the Wharton School of Business at the University of Pennsylvania. He is also the author of a chapter on CMBS structure and valuation in the textbook "Trends in Commercial Mortgage Backed Securitization" by Frank Fabozzi.

Jessie D. Cabaluna, *Independent Director*

Ms. Jessie D. Cabaluna is an independent director of our Fund Manager. She is Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She has accumulated over twenty years of experience as a partner in the accounting firm, SGV & Co., where she was Partner-in-Charge of the Bacolod Branch. Ms. Cabaluna holds a Bachelor of Science in Commerce (Major in Accounting) from the University of St. La Salle. She has also completed advanced management development programs conducted by the Asian Institute of Management and Harvard Business School.

Bianca Camille B. Catolico, *Treasurer*

Ms. Bianca Camille B. Catolico is our Fund Manager's Treasurer. In addition to this position, Ms. Catolico acts as a Manager of Business and Project Development for AyalaLand Offices. She began her tenure with AyalaLand Offices in 2012 as a Finance Analyst, and before becoming Associate Manager also acted as a Business and Project Development Associate. She has also worked previously as an Insurance Advisor for Sun Life of Canada (Philippines), Inc. and a Tax Associate at SGV & Co. Ms. Catolico is a graduate of the University of the Philippines where she obtained her Bachelor of Science in Administration and Accountancy. She is Certified Public Accountant, having gained her certification in 2010.

Ma. Florence Therese dG. Martirez-Cruz, *Corporate Secretary*

Ms. Ma. Florence Therese de Guzman Martirez-Cruz is the Corporate Secretary of our Fund Manager. She also serves as Senior Counsel for AG Counselors Corporation, a role she has held since 2019. Prior to joining the Group, she worked as an associate lawyer at the Leynes Lozada-Marquez Law Offices. She also has previously worked as a legal consultant in the Office of Senator Maria Lourdes Binay. Ms. Martirez-Cruz holds a Bachelor of Arts degree in Public Administration from the University of the Philippines (Diliman) – National College of Public Administration and Governance. She obtained her Juris Doctor in 2011 from the University of the Philippines College of Law.

Rizza Anne O. Sy, *Assistant Corporate Secretary*

Ms. Rizza Anne O. Sy is the Assistant Corporate Secretary of our Fund Manager. She also serves as Counsel for the AG Counselors Corporation, a role she has held since 2018. Prior to joining the Group, she worked as an associate lawyer at Sycip Salazar Hernandez Gatmaitan Law Offices. Ms. Sy holds a Bachelor of Science in Management, Major in Legal Management and Minor in Chinese Studies from the Ateneo de Manila University. She obtained her Juris Doctor in 2014 from the Ateneo Law School.

Corporate Governance

Our Fund Manager is currently subject to the principles of corporate governance required by the SEC. In addition, our Fund Manager's application for licensing as a fund manager of a REIT was approved by the SEC on July 2, 2020. Our Fund Manager will strive to meet all requirements for corporate governance as set forth in the rules for secondary license.

The board of directors of our Fund Manager (the "**Fund Manager's Board**") is responsible for the overall corporate governance of our Fund Manager including establishing goals for management and monitoring the achievement of these goals. Our Fund Manager is also responsible for the strategic business direction and risk management of our Company. All Fund Manager's Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of directors. Our Fund Manager's Board has established a framework for the management of our Fund Manager and our Company, including a system of internal control and a business risk management process. Following Memorandum Circular No. 1, Series of 2020 issued by the SEC, our Fund Manager's Board comprises five members, three of whom are independent directors, with at least one (1) of them have a working knowledge of the real estate industry, fund management, corporate finance, or other relevant finance-related functions. The directors of the REIT and our Sponsor, jointly or separately, do not occupy more than 49% of the board of directors of our Fund Manager.

As of the date of this REIT Plan, our Fund Manager has over 33 years of accumulated experience in the areas of fund management, corporate finance, other relevant finance-related functions, property management in the real estate industry or in the development of the real estate industry. Its Chairman and President, and at least two of its full-time professionals have track records and experience in financial management and real estate industry for at least 8 years prior to joining our Fund Manager.

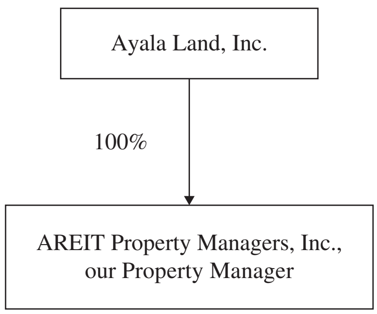
Our Property Manager of the Company

Our Property Manager, AREIT Property Managers, Inc., is a corporation**,** incorporated under the laws of the Philippines. Formerly named Next Urban Alliance Development, Corp., our Property Manager changed its name on April 16, 2019. Its registered office is at 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

Our Sponsor/Promoter, through a subsidiary, Ayala Property Management Corp. ("**APMC**") is currently managing the properties of AREIT, Inc. The services being provided by our Sponsor will no longer be performed upon approval of the registration statement by the SEC for the initial public offering of the shares and the approval of the listing application by the PSE. The services being provided will come within the scope of the functions of our Property Manager which may in its discretion subcontract a facilities manager.

Our Manager is a wholly-owned Subsidiary of our Sponsor. The directors and executive officers of our Property Manager have over 47 years of accumulated experience in commercial real estate operations, leasing, and property management. The directors and executive officers of our Property Manager collectively have experience in managing over one million sq.m. of office floor space in the Philippines, which has generated in total over ₱8 billion. Our Property Manager's executive officers will be primarily responsible for the day-to-day management of our Properties, pursuant to our Property Management Agreement. For other services, such as janitorial, technical, and security services, our Property Manager may engage third-party companies. Our Property Manager expects to contract Ayala Property Management Corp. ("**APMC**") for some of these functions, in particular with respect to management of the physical buildings, equipment, and common area services. APMC is a wholly-owned Subsidiary of Ayala Land with a 43-year track record and expertise in such maintenance services. Notwithstanding the expected contract with APMC, our Property Manager shall remain fully responsible to our Company for the proper performance of its functions under the Property Management Agreement.

The chart below sets out the ownership structure of our Property Manager as of the date of this REIT Plan:



Operations

Our Property Manager performs day-to-day property management functions at the Properties pursuant to the Property Management Agreement, a five-year, renewable agreement defining the relationship between our Company and our Property Manager. See the section entitled "Certain Agreements Relating to our Company and the Properties – Property Management Agreement" in this REIT Plan. These functions include managing the execution of new leases and renewing or replacing expiring leases as well as the marketing and promotion of the Properties. In addition, our Property Manager will oversee the overall management of, maintenance and repair of the structure and utilities of the Properties; formulation and implementation of policies and programs in respect of building management; maintenance and improvement; secure and administer routine management services, including security control, fire precautions, communication systems and emergency management; and oversee building management operations.

Property Management Fee

Under the Property Management Agreement, our Property Manager will receive an annual management fee equivalent to 3% of our Company's Gross Rental Income and Interest Income from finance lease per year, plus 2% of our Company's EBITDA before deducting fees payable to our Fund Manager and Property Manager and after deducting interest expense from lease liabilities for the relevant period, provided that such fee shall not exceed 1% of the Net Asset Value of the properties being managed, as provided under the rules of the REIT Law (the "**Property Management Fee**"). The Property Management Fee is structured to ensure that our Property Manager provides superior service to our Company and the Properties our Property Manager oversees. As such, the Property Management Fee is calculated based on our Company's Gross Rental Income and EBITDA. For the avoidance of doubt, the Company's EBITDA includes interest income from finance lease. For the purposes of calculating the Property Management Fee, Gross Rental Income is defined as the total amount payable by all tenants and licensees pursuant to a lease or license, which includes rent and fees payable under such lease or license agreement and related service charges. In computing the Property Management Fee, the formula to be used shall be as follows:

Property Management Fee = *(0.03 x Gross Rental Income and Interest Income from finance lease for the relevant period)*
+ (0.02 x EBITDA before deducting fees for Fund Manager and Property Manager and after deducting interest expense from lease liabilities for the relevant period)

The Property Management Fee shall be due and payable to our Property Manager in quarterly installments. The relevant period refers to the quarter for which the Property Management Fee is to be applied.

For purposes of determining Gross Rental Income and EBITDA, our Property Manager shall be paid the Property Management Fee based on an unaudited computation of AREIT's Gross Rental Income and EBITDA for the relevant quarter. In the event that there is a discrepancy in the unaudited and audited figures of the Gross Rental Income and EBITDA, the Property Management Fee paid to our Property Manager for the relevant calendar year shall be correspondingly adjusted.

Termination of the Property Management Agreement

Either the Company or our Property Manager, as the case may be, may terminate the Property Management Agreement on the following grounds:

1. a material breach, default, or failure of either party to comply with its obligations and undertakings under the Property Management Agreement;

2. the cessation of the corporate existence of either party, or the change of the principal stockholder(s) of either party;

3. the insolvency of either party, or suspension of payment of its debts, or the commission by either party of any act of bankruptcy under applicable Philippine law; and

4. the suspension or withdrawal or revocation of any material license or permit necessary for either party's performance of its obligations under the Property Management Agreement, or any adverse decision rendered by any court or government agency permanently affecting either party's performance of its obligations under Property Management Agreement, and the effects of such suspension, withdrawal, or revocation of license or permit, or such adverse decision cannot be remedied or persists or continues to remain un-remedied.

Conflict of Interest

If our Property Manager has a material interest in a transaction with or for our Company, or a relationship which gives rise to an actual or potential conflict of interest in relation to such transaction, it shall neither advise, nor deal in relation to the transaction unless it has fully disclosed that material interest or conflict to our Company and has taken all reasonable steps to ensure fair treatment of our Company.

Our Property Manager shall establish, maintain, and implement policies and procedures to ensure fair and equitable allocation of resources among its clients, including our Company. It shall ensure that the amount of commission or management fee earned from any particular client or transaction shall not be the determining factor in the allocation of resources, and that there is an effective system of functional barriers (firewalls) in place to prevent the flow of information that may be price sensitive or material and non-public between the different areas of operations. Finally, our Property Manager shall establish, maintain, and implement written policies and procedures to ensure that the interest of related parties shall not supersede the interests of the Company. It shall fully disclose such policies to our Company.

Our Property Manager has adopted its "Policy and Procedure on Confidentiality" to protect the integrity and confidentiality of the information relating to the funds and properties of the Company. It has also adopted its "Related Transactions Policy" which defines related party relationships and transactions and sets out guidelines and categories that will govern the review, approval and ratification of these transactions by the Board of Directors or Shareholders to ensure the related party relationships have been accounted for, and disclosed, in accordance with International Accounting Standard 24 on Related Party Disclosures and in accordance with the rules of the SEC on material related party transactions.

Directors and Executive Officers of our Property Manager

Our Property Manager's board of directors is entrusted with the responsibility for the overall management of our Property Manager, while our Property Manager's executive officers are responsible for implementation. The current position, role, and business and working experience of each of the directors and executive officers of our Property Manager is set out below:

Name	Age	Nationality	Position
Francisco Ma. D. Roxas	54	Philippines	Director and Chairman
Benjamin S. Borja III	43	Philippines	Director, President and Chief Executive Officer
Alfonso Victorio G. Reyno, III	49	Philippines	Independent Director
Abelardo M. Tolentino, Jr.	54	Philippines	Independent Director
Joselito N. Luna	56	Philippines	Independent Director
Beverly S. Espina	26	Philippines	Treasurer
Maria Paula G. Romero-Bautista	35	Philippines	Corporate Secretary
Rizza Anne O. Sy	31	Philippines	Assistant Corporate Secretary

Information on the business and working experience of our Property Manager's directors is set out below:

Francisco Ma. D. Roxas, *Director and Chairman*

Mr. Francisco Ma. D. Roxas is a Director as well as the Chairman of our Property Manager. Mr. Roxas is also the Head of Operations and Leasing for Ayala Land. He has held this position since 2014. Prior to that role, he served as Ayala Land's Head of Corporate Sales and Marketing. Mr. Roxas studied at the Ateneo De Manila University and later completed an MBA at the Asian Institute of Management.

Benjamin S. Borja, III, *Director, President & Chief Executive Officer*

Mr. Benjamin S. Borja III is a director as well as the President and Chief Executive Officer of our Property Manager. He is also currently a director of Ayala Property Management Corporation. Prior to becoming director at Ayala Property Management Corporation, Mr. Borja served as a Property Manager and then an Associate Director. Mr. Borja acquired his B.S. in Architecture in 2000 from the University of Santo Tomas.

Alfonso Victorio G. Reyno, **III**, *Independent Director*

Atty. Alfonso Victorio G. Reyno, III acts as an independent director of our Property Manager. He is also the President and Chief Operating Officer, and member of the Board of Directors of Manila Jockey Club, Inc. He is also the Vice President, and member of the Board of Directors of MJC Investments Corporation, and Arco Management and Development Corporation. Concurrently, he is also the President, and a member of the Board of Directors of Palos Verdes Realty Corporation, Arco Equities, Inc., and Arco Ventures, Inc. Likewise, he is a member of the Board of Directors, and is the Corporate Secretary for Bonaventure Development Corporation. He is also the Treasurer, and a member of the Board of Directors of PGR Development Corporation, Prime YGR Investments, Inc., and Siera Prime Properties Corporation. He also holds the position of Chairman of the Board of Directors of Aldelcar Holdings, Inc. He also serves as the President, and Chairman of the Board of Directors of Golden Griffin Prime Holdings Corp., and ARJ Prime Resources, Inc. He is also a member of the Board of Directors of Don Diego Foods, Inc., and is a Partner at Reyno Tiu Domingo & Santos Law Offices.

Atty. Reyno obtained his Bachelor of Arts and Commerce from the De La Salle University, and finished his Bachelor of Laws in the University of the Philippines College of Law. He then acquired his Master of Laws in Commercial Law from the New York University School of Law.

Abelardo M. Tolentino, Jr., *Independent Director*

Mr. Tolentino acts as an independent director of our Property Manager. He presently is also the President and CEO of AIDEA Integrated Technologies, Inc., AIDEA Design Foundation, and AIDEA, Inc. Similarly, he acts as a trustee for Architectural Center Club, Inc. and a vice president for Forbes Tower Condominium, Corp. Mr. Tolentino previously was employed as a senior architect with John Lei Architects. He is also currently a member of a number of professional organizations, including the Singapore Institute of Architects, the Council for New Urbanism, the Urban Land Institute, the Society of Environmental Graphic Design, the Council on Tall Buildings and Urban Habitat, the Entrepreneurs' Organization (International), the Guild of Real Estate Entrepreneurs and Professionals and the National Real Estate Association.

Mr. Tolentino holds a Bachelor of Science in Architecture from the University of Santo Tomas. Additionally, he studied Business Development for Architects with a focus on high-rise building design at Harvard University, and he has completed the Advanced Management Development Program in Real Estate at Harvard University's Graduate School of Design. He has also undergone training in Financial Management for Architects at Harvard University and in Elevating Finance and Operations at the University of Pennsylvania's Wharton School of Business.

Joselito N. Luna, *Independent Director*

Mr. Joselito N. Luna acts as an independent director of our Property Manager. He is also the Founder and Principal of J. N. Luna Architectural Design and Planning. Previously, Mr. Luna was a Vice President and Chief Architect of Ayala Land. He served as a Director of Vesta Properties, Inc., Aurora Properties, Inc., and Anvaya Beach and Nature Club until 2016, and the Philippine Green Building Council until 2018.

Mr. Luna attained his Bachelor of Science in Architecture from the University of the Philippines (Diliman), and his Masters in Urban and Regional Planning at the University of the Philippines – School of Urban and Regional Planning. He also attended the Management Development Program conducted by Ann Arbor of the University of Michigan.

Beverly S. Espina, *Treasurer*

Ms. Beverly S. Espina is the Treasurer of our Property Manager. She currently works as a Finance Associate Manager for AyalaLand Offices as well. Ms. Espina's prior work experience includes her time as a Finance Analyst at AyalaLand Offices and as a Finance Associate at Aprisa Business Process Solutions, Inc. Ms. Espina attended Polytechnic University of the Philippines where she achieved a Bachelor of Science in Business Administration and Accountancy.

Maria Paula G. Romero-Bautista, *Corporate Secretary*

Ms. Maria Paula G. Romero-Bautista is our Property Manager's Corporate Secretary. Ms. Romero-Bautista is a member of the Integrated Bar of the Philippines, and she has previously worked as an associate attorney at the law office of Cruz, Marcelo & Tenefrancia. She is currently a Counsel at AG Counselors Corporation. She attended De La Salle University (Manila), obtaining her Bachelor of Science in Legal Management in 2005. She subsequently obtained her J.D. from Ateneo Law School in 2009.

Rizza Anne O. Sy, *Assistant Corporate Secretary*

Ms. Rizza Anne O. Sy is the Assistant Corporate Secretary of our Property Manager. She also serves as Counsel for AG Counselors Corporation, a role she has held since 2018. Prior to joining the Group, she worked as an associate lawyer at Sycip Salazar Hernandez Gatmaitan Law Offices. Ms. Sy holds a Bachelor of Science in Management, Major in Legal Management and Minor in Chinese Studies from the Ateneo de Manila University. She obtained her Juris Doctor in 2014 from the Ateneo Law School.

Related Party Transactions

Review Procedures for Related Party Transactions

In general, our Fund Manager has established internal control procedures to ensure that all future transactions involving the Company and a related party of our Fund Manager or our Sponsor are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favorable than those extended to unrelated third parties. In respect of such transactions, our Fund Manager would have to demonstrate that the transactions would be undertaken on normal commercial terms, which may include obtaining (where practicable) quotations from parties unrelated to our Fund Manager or Sponsor, or obtaining a valuation from an independent valuer (in accordance with, among other things, the REIT Law).

Existing Related Party Transactions

Our Company has entered into a number of transactions with certain Affiliates of our Sponsor. Our Sponsor directly holds an aggregate of 881,499,993 Shares out of the 977,792,435 Shares currently in issue, representing approximately 90% of our Company's outstanding Shares. Upon completion of the Offer (assuming full exercise of the Over-allocation Option), our Sponsor will hold an aggregate of 523,084,735 Shares (which represents 41.61% of the total number of Shares expected to be in issue at that time).

The existing related party transactions, relating to our Sponsor, or their Affiliates, are as follows:

- the sale of Ayala North Exchange by our Sponsor to our Company, which encompasses the assignment of the building, and its corresponding permits and licenses;
- the assignment by our Sponsor to our Company of its rights and obligations as the lessor in tenant contracts with various tenants in Ayala North Exchange;
- the assignment by our Sponsor to our Company of its rights and obligations as a lessee in a land-lease agreement covering the land where the Ayala North Exchange was built;
- HLC Development Corporation, a Subsidiary of Amorsedia Development Corporation, leasing the land where Ayala North Exchange is situated to our Company;
- the Fund Management Agreement between our Company and our Fund Manager, a wholly-owned Subsidiary of our Sponsor;
- the Property Management Agreement between our Company and our Property Manager, a wholly-owned Subsidiary of our Sponsor;
- Contract of Lease between the Company and Makati Hotel North Ventures, Inc. a wholly-owned Subsidiary of AyalaLand Hotels and Resorts Corp., which in turn is a wholly-owned Subsidiary of our Sponsor. Makati Hotel North Ventures, Inc. leases out 100% of the serviced residences portion of Ayala North Exchange;
- Contract of Lease between the Company and Bank of the Philippines Islands, for lease of office and commercial spaces in Ayala North Exchange, and Solaris One. Bank of the Philippines Islands leases 10.5% of total gross leasable area in Ayala North Exchange, and 0.23% of total gross leasable area in Solaris One;
- Contract of Lease between the Company and Alveo Land Corp. for lease of office space in Solaris One, occupying 0.76% of total gross leasable area therein;
- Contract of Lease between the Company and First Gateway Real Estate Corp., a Subsidiary of AyalaLand Offices, for lease of commercial space in Ayala North Exchange, occupying 1.6% of total gross leasable area of Ayala North Exchange;
- our Company providing interest-bearing loans to certain Related Parties;
- Direct Power Services, Inc., a Subsidiary of our Sponsor, providing energy distribution services to the Company pursuant to a Retail Electricity Supply Contract;
- the Property Management Agreements with Ayala Property Management Corporation for the facilities management of the Properties, which will eventually be subsumed under the Property Management Agreement with AREIT Property Managers, Inc;

- the Contract of Lease between our Sponsor and our Company for the lease of McKinley Exchange; and

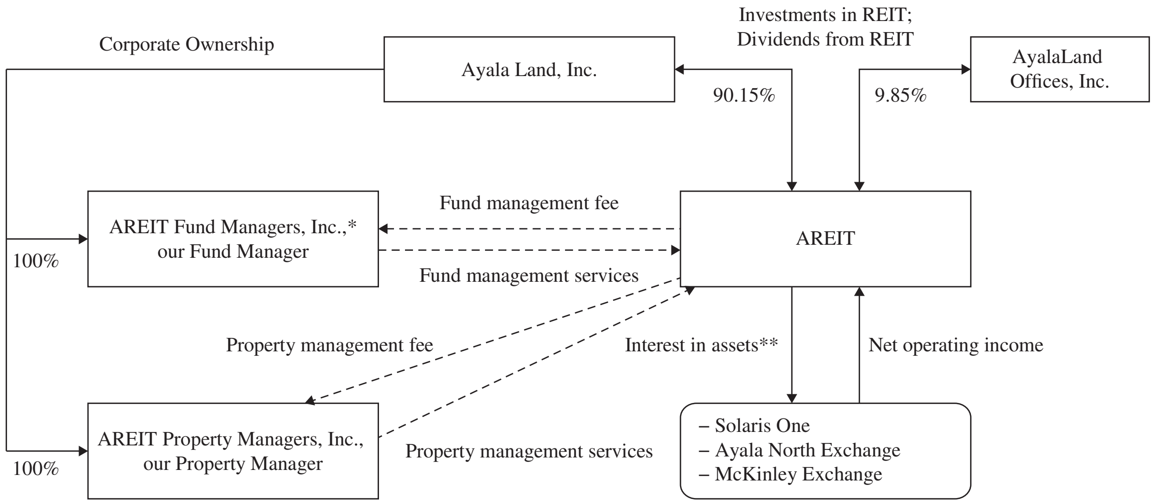
- the Memorandum of Agreement between our Company, our Sponsor and APRC, a wholly-owned Subsidiary of Ayala Land, which contains the commitment of the parties to enter into a sale agreement for the acquisition of Teleperformance Cebu, or an alternative property that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria.

Please see the section entitled "Related Party Transactions" in this REIT Plan for more information on our Company's related party transactions. Save as disclosed in this REIT Plan, our Company has not entered into any other transactions with any Subsidiaries or Affiliates of our Fund Manager or our Sponsor.

THE STRUCTURE OF AREIT

OPERATIONAL STRUCTURE

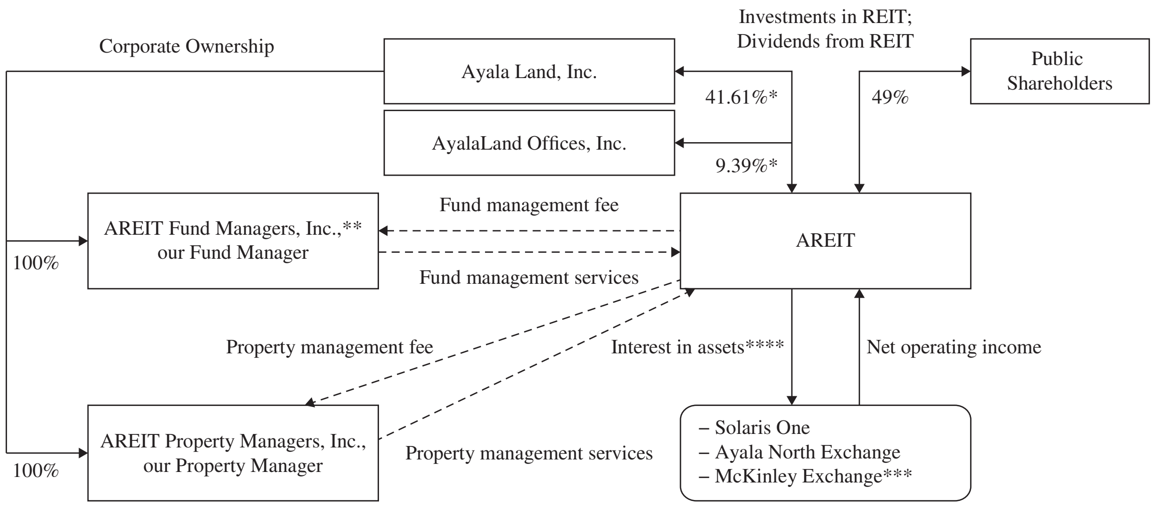
Our Company is a domestic corporation, established to invest in real estate. The operational and ownership structure and the relationship of the various parties, as of the date of this REIT Plan, are illustrated in the following diagram:



* *The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.*

** *The Company's Properties include three commercial buildings known as Solaris One, and Ayala North Exchange via freehold (i.e. which are owned by the Company), and, as of February 1, 2020, McKinley Exchange via leasehold (i.e. which is leased by the Company). The land on which these buildings are built do not form part of the Company's asset portfolio and is not owned by the Company. The lands for each building are subject of lease agreements between the Company and the legal owners thereof – Ayala Land for Solaris One and McKinley Exchange, and HLC Development Corp. for Ayala North Exchange (While HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sqm portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City).*

The operational and ownership structure of our Company, following the Listing Date is illustrated in the following diagram:



* *Assuming that the Over-allocation Option is fully exercised.*

** *The Fund Manager's application for licensing was approved by the SEC on July 2, 2020.*

*** *Also to include commercial buildings of the mixed-use development of Teleperformance Cebu, or an alternative property that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, upon completion of our Company's lease of such property.*

*****The Company's Properties include three commercial buildings known as Solaris One, and Ayala North Exchange via freehold (i.e. which are owned by the Company), and, as of February 1, 2020, McKinley Exchange via leasehold (i.e. which is leased by the Company). The land on which these buildings are built do not form part of the Company's asset portfolio and is not owned by the Company. The lands for each building are subject of lease agreements between the Company and the legal owners thereof – Ayala Land for Solaris One and McKinley Exchange, and HLC Development Corp. for Ayala North Exchange (While HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sqm portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City).*

While our Fund Manager and our Property Manager are Subsidiaries of our Sponsor, Ayala Land, in enacting their roles as Fund Manager and Property Manager, respectively, they are functionally independent from our Sponsor.

Pursuant to the provisions of the REIT Law and the Fund Management Agreement, our Fund Manager must implement the investment strategies of the REIT by: (i) determining the allocation of our Company's property to the allowable investment outlets in accordance with this REIT Plan and the investment strategies of the Company; and (ii) selecting income-generating real estate in accordance with the investment strategies of our Company; notwithstanding the written instructions of the Company, it shall be the fiduciary responsibility of our Fund Manager to objectively evaluate the desired investments, and formally advise us of its recommendations, even if contrary to the instructions; oversee and coordinate property acquisition, leasing, operational and financial reporting, including operating budgets, appraisals, audits, market review, accounting and reporting procedures, as well as refinancing and asset disposition plans; cause a valuation of any of the real estate and other properties of our Company to be carried out by the an independent property valuer once a year or whenever our Fund Manager believes that such valuation is appropriate; take all necessary measures to ensure: (i) that the Net Asset Value per unit of our Company is calculated as and when an annual valuation report is issued by the property valuer for the relevant period, and that such Net Asset Value per unit shall be disclosed in periodic reports; (ii) that the investment and borrowing limitations set out in this REIT Plan and the conditions under which our Company was authorized are complied with; (iii) that all transactions carried out by or on behalf of our Company are conducted at arm's length; (iv) that at all times our Company has proper legal title to the real estate it owns, as well as to the contracts (such as property contracts, rental agreements, joint venture or joint arrangement agreements, and any other agreements) entered into on behalf of the scheme with respect to its assets and that each such contract is legal, valid and binding and enforceable by or on behalf of our Company; and (v) our Property Manager obtains adequate property insurance for the real properties of our Company, including the Properties; and perform all such functions necessary and incidental to asset management. See the sections entitled "Our Fund Manager and our Property Manager – Our Fund Manager" and "Certain Agreements Relating to Our Company and the Properties – the Fund Management Agreement" in this REIT Plan for additional details.

The Company's principal investment strategy is to invest in income-generating real estate that meet a select set of criteria and which produces secure and growing income that provides a Competitive Investment Return to investors. Please see the section entitled "Business and Properties – Investment Policy" in this REIT Plan. Our Company generates returns for its Shareholders by owning, and managing, real estate properties in line with its investment strategy. See the section entitled "Business and Properties – Business Strategies" in this REIT Plan for more details.

By operating pursuant to our investment strategy and under the provisions of the REIT Law, our Company benefits from preferential tax treatment. Instead of being subject to income tax on our taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, our Company's income tax liability is instead based on its taxable net income as defined in the REIT Law, which allows for the dividends distributed by our Company to our Shareholders to be deducted for the purposes of determining our taxable net income. See the section entitled "Regulatory and Environmental Matters – Real Estate Laws – Taxation of REITs" in this REIT Plan for more details.

The Shares and Shareholders

The rights and interests of Shareholders are contained in the Organizational Documents. In addition, pursuant to the REIT Law, our Shareholders are entitled to annual dividends, amounting to a total of at least 90% of our Company's Distributable Income.

Each Share represents an undivided interest in our Company. From the time Shares are issued, pursuant to the Offer, such Shares will carry the same rights as all Shares in issue as at the date of this REIT Plan.

There are no restrictions under the Organizational Documents or the REIT Law on a person's right to subscribe for (or purchase) Shares and to own Shares.

Issue of Shares

Shares, when listed on the PSE, may be traded on the PSE. For so long as our Company is listed on the PSE, we may, subject to provisions of our Organizational Documents and the REIT Law, issue further Shares, at an issue price determined in accordance with the applicable provisions of our Organizational Documents and the REIT Law.

Any suspension of the issue of Shares will be announced to the PSE.

Investors should note that our Fund Manager will not be required to redeem or repurchase any Shares so long as our Company is listed on the PSE. It is intended that Shareholders deal in their Shares through trading on the PSE.

Rights and Liabilities of Shareholders

The key rights of Shareholders include rights to:

- receive income and other distributions attributable to the Shares held;
- receive audited accounts and the annual reports of our Company; and
- participate in the termination of our Company by receiving a share of all net cash proceeds derived from the realization of the assets of our Company less any liabilities, in accordance with their proportionate interests in our Company. However, no Shareholder has a right to require that any asset of our Company be transferred to him, her or it.

Further, Shareholders cannot give any directions to our Fund Manager or our Company (whether at a meeting of Shareholders or otherwise) if it would require our Fund Manager or our Company to do or omit doing anything which may result in:

- our Company ceasing to comply with applicable laws and regulations; or
- the exercise of any discretion expressly conferred on our Fund Manager by the relevant agreements.

Meetings of Shareholders

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes including the election of directors. The by-laws of the Company provide for annual meetings on the last Friday of May of each year, or if that day is a legal holiday, then on the following business day, to be held at the principal office of the Company and at such hour as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by any of the following: (a) by resolution of the Board of Directors, at its own instance, or at the written request of shareholders representing at least one-third (1/3) of the outstanding capital stock, or (b) by order of the President. Such call shall state the purpose or purposes of the proposed meeting.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written or printed notice of the meeting stating the place, date, and time of the meeting, as well as the general nature of the business to be considered, shall be sent by personal delivery, mail, telegraph, cable, facsimile, electronic-mail, or other electronic means, at least 15 days before the day on which the meeting is to be held to each shareholder of record at the last known address and/or facsimile, telegraph number, or electronic mail address, or at the option of the Company, by publication in a newspaper of general circulation, provided that unless expressly required by law, no publication of any notice of a meeting of stockholders shall be required. This notice period applies in the case of a special meeting of shareholders. In case of regular meetings of shareholders, written notice must be sent at least 21 days prior to the scheduled regular meeting, in accordance with SEC Memorandum Circular No. 6, series of 2020. Shareholders entitled to vote may, by written consent, waive notice of the time, place, and purpose of any meeting of shareholders and any action taken at such meeting pursuant to such waiver shall be valid and binding. When the meeting of the Company's shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided, except when expressly required by law. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Quorum

A quorum at any meeting of the Company's shareholders shall consist of a majority of the outstanding voting stock of the Company represented in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, save and except those several matters in which the laws of the Philippines require the affirmative vote of a greater proportion. If no quorum is present within an hour of the time appointed for such meeting the meeting shall be adjourned until the requisite number of shareholders shall be present.

Place of Meetings

All meetings of the stockholders shall be held at the offices of the Company or at any place in Metro Manila designated by the Board.

Voting

The Company's shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly appointed as herein provided. All elections and questions, except in cases specified by law or the Company's Articles of Incorporation, shall be decided by the majority vote of the stockholders present in person 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 them.

Fixing Record Dates

Under existing SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. With respect to stock dividends, the record date shall not be less than ten nor more than 30 days from the date of shareholder approval. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the SEC and shall be indicated in the SEC order which shall not be less than ten days nor more than 30 days after all clearances and approvals by the SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than ten trading days from receipt by the PSE of the notice of declaration of the dividend.

For the purpose of determining the shareholders entitled to notice of, or to vote at, any meetings of shareholders or any adjournment thereof, or to receive payment of any dividends, or to exercise any right under the law, the Board of Directors may provide that the stock and transfer books be closed for a stated period, but not to exceed, in any case, 20 working days immediately preceding such meeting.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and signed in accordance with the applicable laws and rules and regulations of the SEC and of the PSE. Proxies shall be duly presented to and received by the corporate secretary not later than seven business days prior to the shareholders' meeting. Validation of proxies shall be conducted by a *Proxy Validation Committee* at least five business days prior to the date of the stockholders' meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary or assistant secretary. The instrument appointing a proxy shall be deemed to confer authority to demand, or join in, a poll. Proxies filed with the corporate secretary or the assistant secretary may be revoked by the shareholders extending the same either by an instrument in writing duly presented and recorded with the Secretary or Assistant Secretary prior to the scheduled meeting or by their personal presence at the meeting. The decision of the corporate secretary or assistant secretary on the validity of proxies shall be final and binding until set aside by a court of competent jurisdiction.

Proxies should comply with the relevant provisions of the Philippine Corporation Code, the SRC, and SEC Memorandum Circular No. 5 (series of 1996) issued by the SEC.

Substantial Holdings

While there is no rule specifically mandating our Fund Manager to report to the PSE any substantial changes in shareholdings, the REIT Law and the PSE Listing Rules adopt the disclosure and reportorial requirements under the SRC. Our Company is therefore subject to the provisions of the Philippine Corporation Code and SRC, which state that any person who acquires directly or indirectly the beneficial ownership of more than 5% of a class of shares or in excess of such lesser percentage as the SEC by rule may prescribe, shall, within ten days after such acquisition or such reasonable time as fixed by the SEC, submit to the issuer of the securities, to the PSE, and to the SEC a sworn statement, containing the following information and such order information as the SEC may require in the public interest or for the protection of investors: (a) the personal background, identity, residence, and citizenship of, and the nature of such beneficial ownership by, such person and all other person by whom or on whose behalf the purchases are effected; in the event the beneficial owner is a juridical person, the business of the beneficial owner shall also be reported; (b) if the purpose of the purchases or prospective purchases is to acquire control of the business of the issuer of the securities, any plans or proposals which such persons may have that will effect a major change in its business or corporate structure; (c) the number of shares of such security which are beneficially owned, and the number of shares concerning which there is a right to acquire, directly or indirectly, by; (i) such person, and (ii) each associate of such person, giving the background, identity, residence, and citizenship of each such associate; and (d) information as to any contracts, arrangements, or understanding with any person with respect to any securities of the issuer including but not limited to transfer, joint ventures, loan or option arrangements, puts or call guarantees or division of losses or profits, or proxies naming the persons with whom such contracts, arrangements, or understanding have been entered into, and giving the details thereof.

As of the date of this REIT Plan, each of Ayala Land and AyalaLand Offices hold more than 5% of our Company's issued and outstanding Shares.

Continuation of our Company

Under the provisions of the Philippine Corporation Code, our Company shall have perpetual existence.

CERTAIN AGREEMENTS RELATING TO OUR COMPANY AND THE PROPERTIES

Description of the Agreements to Acquire the Properties

Solaris One

In 2006, our Company, in conjunction with Ayala Land, agreed to develop a building on a parcel of land owned by Ayala Land. This project later became known as Solaris One. Our Company has owned the building since its construction.

Our Company subsequently entered into a 33-year lease with Ayala Land for the land where Solaris One is situated. Please see further discussion of this arrangement below in the section entitled "Certain Agreements Relating to the Our Company and the Properties – Land Lease Agreements."

Ayala North Exchange

Our Company purchased Ayala North Exchange from Ayala Land pursuant to a Deed of Assignment, signed October 2, 2018. The purchase of Ayala North Exchange from our Sponsor was completed on October 5, 2018 for a total cash consideration of roughly ₱6.9 billion (exclusive of VAT), paid in two installments: (i) ₱3.2 billion and (ii) ₱3.7 billion. Pursuant to the transaction, the following were assigned to our Company: (i) the Ayala North Exchange building, (ii) the corresponding permits and licenses, and (iii) the construction/fit-out contract with Makati Development Corporation.

Through a separate deed of assignment, Ayala Land also assigned to our Company its rights and obligations as a lessee in a 44-year land lease with HLC Development Corporation over the land where Ayala North Exchange was built to our Company. Please see further discussion of this arrangement below in the section entitled "Certain Agreements Relating to the Our Company and the Properties – Land Lease Agreements" in this REIT Plan.

McKinley Exchange

As of date of this REIT Plan, our Company leases McKinley Exchange from Ayala Land pursuant to a Contract of Lease dated January 31, 2020. The lease covers (i) a parcel of land with a total land area of roughly 4,513 sq.m. situated on the corner of EDSA and McKinley Road in Makati, Metro Manila, (ii) a 5-storey building, inclusive of two basement parking levels with 120 parking slots, with a Gross Leasable Area of 10,804.02 sq.m., 9,633.32 sq.m. of which is designated for commercial office lease, and with a gross floor area of 14,598.40 sq.m., constructed on that land, and (iii) various capital equipment in the building. The lease of McKinley Exchange from our Sponsor commenced on February 1, 2020 and will expire on December 31, 2054. Certain material terms of the lease are as follows:

i. a lease term of approximately 34 years from February 1, 2020 to December 31, 2054;

ii. an initial lease rate of ₱2,733,078 per month, subject to an annual escalation of 5%; and

iii. a provision that restricts the use of McKinley Exchange to (a) retail stores, (b) restaurants, (c) hotels, (d) offices, (e) parking spaces and terminals, and (f) other commercial uses as may be allowed under the classification or zoning of the relevant property. Our Company will not be allowed to divert the use of McKinley Exchange without the written consent of our Sponsor.

Moreover, our Company shall be liable to pay our Sponsor rent, all taxes due by reason of payment of the rent, as well as documentary stamp taxes or other taxes accruing as a result of the execution of the Contract of Lease. All real property taxes and other assessments or charges for land and building shall be for the account of our Sponsor.

Memorandum of Agreement for the acquisition of Teleperformance Cebu or an alternative property

Our Company intends to acquire Teleperformance Cebu, or an alternative property that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, after the Offer by using a portion of the proceeds from the Offer. Please see the section entitled "Use of Proceeds" in this REIT Plan.

On January 31, 2020, our Company and APRC, a wholly-owned Subsidiary of Ayala Land, entered into a Memorandum of Agreement (the "**MoA**"), which details the agreement in principle between our Company and APRC for the acquisition by our Company of Teleperformance Cebu. The MoA specifically envisions the acquisition of Teleperformance Cebu, formerly Aegis Towers 1 and 2, a Grade A, mixed-use development owned by APRC, a wholly-owned Subsidiary of Ayala Land, which consist of two PEZA-accredited BPO offices, completed in 2011 with a combined Gross Leasable Area of 17,947.96 sq.m., constructed on a 3,621 sq.m. parcel of land owned by our Sponsor, and located in Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City. Under the MoA, our Company and APRC have committed to enter into a deed of absolute sale (the "**Teleperformance Cebu Deed of Absolute Sale**") over Teleperformance Cebu no later than December 31, 2020, unless such date is mutually extended by the parties, with such extension being not be more than six months from December 31, 2020.

The MoA likewise provides that prior to the execution of the Teleperformance Cebu Deed of Absolute Sale, our Sponsor, or any of its Subsidiaries or Affiliates shall have the option to substitute the Teleperformance Cebu, with an alternative property of our Sponsor, or any of Subsidiaries or Affiliates that meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria, subject to the agreement of and acceptance by our Company.

Our Company and APRC, a wholly-owned Subsidiary of Ayala Land, have committed to execute the Teleperformance Cebu Deed of Absolute Sale on or before December 31, 2020, subject to certain key indicative terms and conditions set forth in the MoA, including:

i. use of the property shall only be for the development and operation of a retail, commercial, and office center, including, but not limited to: retail stores, restaurants, hotels, offices, parking spaces, and other commercial uses as may be allowed under the classification or zoning of the parcel of land;

ii. APRC shall assign to the Company, and the Company shall assume the land lease over the relevant parcel of land;

iii. APRC shall cause the transfer of the PEZA Registration to the Company; and

iv. Purchase price shall be ₱1,450,000,000.00, exclusive of value-added taxes.

The final terms of the Teleperformance Cebu Deed of Absolute Sale will be negotiated by our Company and APRC on a commercial and arm's length basis.

Land Lease Agreements

Solaris One

Ayala Land owns the title to the plot of land on which Solaris One currently stands. On December 28, 2015, the Company entered into a long-term lease contract with Ayala Land for the land. The lease has a term of 33 years, commencing on January 1, 2016, which will expire on December 31, 2048, unless earlier terminated according to the provisions of the long-term lease contract. Pursuant to the agreement, the long-term lease contract can be renewed only through mutual agreement of Ayala Land and the Company set out in writing.

As consideration for the lease, the Company pays Ayala Land 7% of gross lease revenue gained from Solaris One every month from the lease of office spaces, retail shops, and parking slots, whether or not actually received and collected. The Company must pay the rent within the first five business days of the month following the calendar quarter. For the year ended 2018, the Company paid a total of ₱36.3 million for this long-term lease.

Interest for late payment is 1% with an accompanying penalty at the rate of 1.5% per month both based on the unpaid amount and computed from the date the payment falls due until payment of the outstanding amount is paid in full. Ayala Land's right to collect said interest and penalty is without prejudice to the exercise of any right or remedy available to it under the long-term lease contract and applicable law.

Under the lease terms, the Company is responsible for all real property taxes, and all other fees, charges, dues, and taxes due on the land and any default in payment thereof shall constitute a breach of the long-term lease contract by the Company. The long-term lease contract contains the usual force majeure provisions.

Both the Company and Ayala Land have the right to cancel the lease for any cause by serving written notice to the other party at least 12 months from the date of intended cancellation. Upon the cancellation of the lease, the Company must immediately vacate the leased premises and deliver to Ayala Land the full and vacant possession of the same. In this instance, Ayala Land may, at its sole option, cause the demolition or removal of any improvement constructed without the necessity of a court order and charge the Company the cost. Except when the cancellation is made in compliance with the foregoing, in case of cancellation, all deposits and other payments made by the Company shall be forfeited in favor of Ayala Land as damages for Ayala Land's lost business opportunities, and costs incurred by Ayala Land in entering into the contract. A hold-over rate in the amount equivalent to twice the current monthly lease shall be paid to Ayala Land should the Company fail to surrender the land as required and continue to occupy it beyond the end of the lease term without the benefit of a formal written extension of the lease. The obligation of the Company to pay the hold-over rate ceases only after the Company has vacated the land and turned it over to Ayala Land. During this period, all the terms and conditions of the long-term lease contract remain in force and effect. Furthermore, this provision in no way prevents Ayala Land from ejecting the Company from the land any time after the end of the lease term. In addition to Ayala Land's right to eject the Company and its entitlement to the hold-over rate, Ayala Land is entitled to judicial costs and attorney's fees of 20% of the hold-over rate and/or lease rentals due which in no case can be less than ₱1.5 million. The above penalties are without prejudice to cases of termination of the long-term lease contract on the ground of default or breach by the Company.

The following events constitute events of default under the long-term lease contract:

1. The Company fails to pay on time the full amount of any rental, utility and service charges, common area maintenance dues, and other fees and charges or financial obligation of the Company under the long-term lease contract;

2. Unless the parties agree otherwise, the Company pre-terminates the long-term lease contract;

3. The Company violates any of the terms and conditions of the long-term lease contract, and such violation, if curable, is not cured or remedied by the Company within three days from the date of receipt of notice pertaining to its violation;

4. Any petition is filed by or against the Company to declare it bankrupt or insolvent or to delay, reduce or modify its debts or obligation or it is unable to pay its debts as they fall due; or a petition is presented or meeting convened for the purpose of winding up the Company; or it enters into liquidation whether compulsory or voluntarily or compounds with its creditors generally; or has a receiver appointed for all or any part of its assets or takes or suffers any similar action in consequence of debt;

5. The Company abandons the land and the building by keeping the same closed, deserted, or vacated for at least ten continuous days for no justifiable reason during the term of the lease; or

6. The Company assigns the building for the benefit of its creditors; or a receiver or trustee is appointed for the Company or its property.

For violations of the long-term lease contract, the Company is liable for double the rental, utility and service charges, common area maintenance dues, and all other financial obligations accruing on the land until the time the Company actually vacates it. If Ayala Land files a case against the Company for breach of the long-term lease contract or for ejectment, the Company must, in addition to the aforementioned damages, pay Ayala Land's attorney's fees equivalent to 20% of the its outstanding obligation plus costs and expense of litigation.

The long-term lease contract is not assignable without the prior written consent of the other party, which consent shall not be unreasonably withheld, provided that both parties shall have the right to assign the long-term lease contract or any benefits or rights, in whole or in part, to its affiliates or subsidiaries.

Ayala North Exchange

HLC Development Corp. ("**HLC**") owns the plot of land where Ayala North Exchange currently stands. While HLC is the beneficial owner of the entire 7,657 sqm lot where Ayala North Exchange stands, the transfer of the Certificate of Title covering the 4,475 sqm portion of the lot is currently pending transfer in the name of HLC from BPI Corporation with the Registry of Deeds of Makati City. On April 10, 2017, Ayala Land entered into a contract of lease with HLC. On October 5, 2018, Ayala Land entered into an agreement on assignment of lease with our Company. Pursuant to that agreement, Ayala Land assigned, transferred, and conveyed to our Company all its rights under the contract of lease between HLC and Ayala Land. On April 27, 2019, our Company entered into an agreement, amending the terms of the contract of lease with HLC, with the amended terms and provisions scheduled to take effect on October 5, 2019.

Under the lease terms, the period of lease shall be for 44 years, having commenced from the initial turnover date on June 9, 2014, with an expiry date on June 9, 2058. The Contract of Lease does not permit extension of the lease period unless otherwise renewed by the parties in writing. Except for an assignment to an affiliate or subsidiary of Ayala Land as the lessee under the Contract of Lease, and subject to prior written notice to HLC as the lessor, Ayala Land cannot assign or transfer its right under the Contract of Lease without the prior written consent of the Lessor. Failure by our Company to return the land at the end of the lease term would obligate our Company to pay a sum equal to three times the rental rate then in place for as long as our Company retains possession of the land. Upon expiration or termination of the lease, the building and the improvements constructed, but excluding movable properties belonging to the Lessee which can be removed without causing damage to the building or any part thereof, shall, at the sole option of HLC Development Corp., either: (a) become the absolute property of HLC Development Corp. without need for reimbursing or compensating Ayala Land or (b) be demolished by, or at the expense of Ayala Land.

As consideration for the lease of the premises, our Company must pay rent for the conduct of certain 'authorized activities' (including retail, office, and serviced apartment use) commencing from either the relevant start of commercial operations or the relevant deadline for start of operations indicated in the lease contract, whichever is earlier ("**Rental Commencement Date**"). The deadlines for the start of commercial operations for each of the authorized activities are as follows: (i) office use – July 30, 2018, (ii) retail use – March 31, 2019, and (iii) serviced apartment use – September 1, 2019. Our Company is required to provide HLC with a security deposit amounting to ₱745,350 covering retail use, ₱5,148,845 for office use, and ₱1,692,210 for serviced apartment use at the earliest Rental Commencement Date. The security deposit is subject to annual escalation of 5% for retail use, 5% for office use, and 2% for serviced apartment use, which is payable within 30 calendar days from the anniversary of the respective Rental Commencement.

Our Company is obligated to pay rent to HLC for each of the authorized activities, depending on the type of usage of the leasable premises. The rent is based on a percentage of the annual gross Rental Income, or annual total serviced apartment revenues, from Ayala North Exchange, as applicable. The applicable rental rate for each authorized activity is: (i) retail – 5.5%, (ii) office – 9.5%, and (iii) serviced apartment – 3.2%. Our Company pays rent quarterly, based on the estimated gross Rental Income or total serviced apartment revenues within the first ten days of the relevant quarter. Any additional rent due, based on the actual gross Rental Income or total serviced apartment revenues, must be paid within 30 calendar days following the anniversary of the relevant Rental Commencement Date.

The additional terms and conditions appended to the lease contract limit the maximum area for certain types of use of the leased premises, with retail use limited to 14,907 sq.m., office use limited to 79,213 sq.m., and serviced apartment use limited to 26,034 sq.m. of GLA. The Company's use of the leased premises for other uses, without the prior written consent of HLC, shall give the latter the right to cancel the contract upon tendering a notice of cancellation, or compel the lessee to stop the unauthorized activities. The Company is also not allowed to make any additions or improvements not in line with the authorized activities under the lease contract, without the prior consent of HLC.

Our Company is liable to pay the following taxes due on the lease: (i) value-added tax, (ii) documentary stamp tax ("**DST**"); (iii) real property taxes on the improvements; (iv) other Government assessments on the leased premises; and (v) any and all other taxes accruing as a result of the execution of the lease contract. Our Company is also liable to pay all taxes due on income received by it in connection with its authorized activities.

Our Company is required to provide HLC with a security deposit in an amount equivalent to two months minimum rent for our Company's authorized activities on the rental commencement date.

HLC has the right to terminate or cancel the lease upon occurrence of certain events, including:

1. the term of the lease expiring, or the Company failing to return and surrender the leased premises in accordance with the lease contract;

2. the Company failing to pay the rent or any other amount due for a continuous period of three months;

3. the Company failing to observe or perform any of the covenants in the lease contract;

4. a breach of any of the Company's representations and warranties;

5. insolvency or bankruptcy of the Company; and

6. the occurrence of any other event which entitles HLC to exercise its right to cancel or terminate the lease.

Contract of Lease for McKinley Exchange

Ayala Land is the owner of McKinley Exchange and the land on which it stands. McKinley Exchange consists of (i) the parcel of land with a total land area of 4,513 sq.m., more or less, situated in the corner of EDSA and McKinley Road in Makati, Metro Manila, (ii) a 5-storey building, inclusive of two basement parking levels with 120 parking slots, and (iii) various capital equipment installed in the buildings. On January 31, 2020, our Company entered into a long-term lease contract with Ayala Land for the lease of McKinley Exchange. The lease has a term of approximately 34 years, commencing on February 1, 2020, and which will expire on December 31, 2054, unless earlier terminated according to the provisions of the long-term lease contract. Pursuant to the agreement, the long-term lease contract can be renewed only through mutual agreement of Ayala Land and the Company set out in writing.

As consideration for the lease, the Company shall pay Ayala Land an initial monthly rent of ₱2,733,078 per month, subject to annual escalation of 5% from the previous year's rent. The Company must pay the rent on a quarterly basis, on or before the tenth (10th) day of the month following the end of the quarter to which the rent corresponds.

Interest for late payment is 1% with an accompanying penalty at the rate of 1.5% per month both based on the unpaid amount and computed from the date the payment falls due until payment of the outstanding amount is paid in full. Ayala Land's right to collect said interest and penalty is without prejudice to the exercise of any right or remedy available to it under the long-term lease contract and applicable law.

Under the lease terms, AyalaLand is responsible for all real property taxes, and all other fees, charges, dues, and taxes due on the land and building, including insurance premiums. The long-term lease contract contains the standard force majeure provisions for leases of this nature.

Both the Company and Ayala Land have the right to cancel the lease for breach of the contract, and for any cause by serving written notice to the other party at least 12 months from the date of intended cancellation. Upon the cancellation of the lease, our Company must immediately vacate the leased premises and deliver to Ayala Land the full and vacant possession of the same. In case of breach by the Company of the provisions of the contract, all deposits and other payments made by the Company shall be forfeited in favor of Ayala Land. Ayala Land shall also have the right to take back possession of the property, and collect from the Company the rental for the unexpired portion of the lease term and the penalty and interest charges due thereon. A hold-over rate in the amount equivalent to twice the current monthly lease shall be paid to Ayala Land should the Company fail to surrender the land as required and continue to occupy it beyond the end of the lease term without the benefit of a formal written extension of the lease. The obligation of the Company to pay the hold-over rate ceases only after the Company has vacated the property and turned it over to Ayala Land. During this period, all the terms and conditions of the long-term lease contract remain in force and effect. In addition to Ayala Land's right to eject the Company, Ayala Land is entitled to collect an amount equivalent to 20% of the amount claimed in the complaint, as attorney's fees (with a minimum of ₱50,000.00) and the costs of litigation and other expenses, in the event that Ayala Land is compelled to seek judicial relief against the Company in relation to default and termination of the contract.

The following events constitute events of default under the long-term lease contract:

1. The term (or renewal) of the lease shall have expired and the Company fails to return and surrender the property to Ayala Land;

2. The property shall be closed, deserted or unoccupied for a continuous period of sixty (60) calendar days;

3. The Company fails to pay the rent or any other amount due under the contract for a continuous period of three (3) months, provided that no part of such rent or other due is being disputed in good faith by the Company;

4. The Company fails to observe or perform any of the covenants provided under the contract;

5. The Company's representations and warranties as specified in the contract shall prove false in any material respect when made;

6. The corporate existence of the Company shall have ceased; or

7. The Company shall become insolvent or be unable to pay its debts when due or shall commit or permit any act of bankruptcy under the applicable law.

The long-term lease contract is not assignable without the prior written consent of the other party, which consent shall not be unreasonably withheld, provided that both parties shall have the right to assign the long-term lease contract or any benefits or rights, in whole or in part, to its affiliates or subsidiaries.

See the section entitled "Business and Properties – The Properties" in this REIT Plan for additional details on the profile of the tenants of the Company and the material terms of their lease.

Fund Management Agreement

Our Fund Manager has the overall responsibility for the allocation of the Deposited Property to the allowable investment outlets and selection of income-generating real estate, pursuant to the Fund Management Agreement. The Fund Management Agreement was entered into on July 22, 2020 between our Company and our Fund Manager pursuant to which our Company engaged our Fund Manager to execute and implement the investment strategies for our Company.

The term of the Fund Management Agreement is for five years, commencing at 8:00 o'clock in the morning on the date of the approval of the registration statement by the SEC for the initial public offering of the shares of our Company and the approval of the listing application by the PSE in accordance with the REIT Law, (the "**Commencement Date**"). The Fund Management Agreement automatically renews for successive five-year terms thereafter, until and unless either party provides the other with 180 days prior written notice of termination.

Pursuant to the Fund Management Agreement, our Fund Manager has the authority to disburse funds of our Company, within the budget approved by the Board, and to designate the authorized signatories to effect such disbursements, oversee and coordinate leasing, negotiate and award contracts for property acquisition, operational and financial reporting, appraisals, audits, market review, accounting and reporting procedures, refinancing and asset disposition plans, all in accordance with the financing, operating, and marketing plans approved by our Board, and to designate the authorized signatories to execute such contracts.

Fund Manager's Services

The services provided by our Fund Manager, pursuant to the Fund Management Agreement, include the following:

- implementing the investment strategies of our Company by:

  (i) determining the allocation of our assets to allowable investment outlets in accordance with this REIT Plan and the investment strategies of our Company; and

  (ii) selecting income-generating real estate in accordance with our investment strategies;

- overseeing and coordinating property acquisition, leasing, operational and financial reporting (including operating budgets), appraisals, audits, market review, accounting and reporting procedures, as well as financing and asset disposition plans;

- causing a valuation of any of the real estate, including the Properties, and other properties of our Company to be carried out by an appointed property valuer once a year and whenever our Fund Manager believes that such valuation is appropriate;

- taking all necessary measures to ensure:

  (i) that the Net Asset Value per unit of our Company is calculated as and when an annual valuation report is issued by a property valuer for the relevant period, and that such Net Asset Value per unit shall be disclosed in the annual reports;

(ii) that the investment and borrowing limitations set out in this REIT Plan and the conditions under which our Company was authorized are complied with;

(iii) that all transactions carried out by or on behalf of our Company are conducted at arm's length;

(iv) that, at all times, our Company has proper legal title to the real estate it owns, as well as to the contracts (such as property contracts, rental agreements, joint venture or joint arrangement, agreements, and any other agreements) entered into on behalf of the scheme with respect to its assets and that each such contract is legal, valid and binding, and enforceable by or on behalf of our Company; and

(v) that our Property Manager obtains adequate property insurance for the real properties of our Company, including the Properties, from insurance companies approved by our Fund Manager;

- providing research and analysis on valuation and market movements, including the monitoring of the real estate market for desirable opportunities, and recommend, from time to time, to our Board, the formulation of new, additional, or revised investment policies and strategies;

- recommending the appropriate capital structure for our Company;

- managing assets and liabilities, including investment of corporate funds in money market placements and arrangement of debt for our Company, negotiating and finalizing loan documents on behalf of our Company, and determining debt drawdowns;

- recommending to our Board when to make capital calls and, where appropriate, enforcing or causing the enforcement of remedies for failure of Shareholders to deliver capital contributions;

- opening, maintaining, and closing accounts, including custodial accounts with banks, and subject to applicable Philippine law, including banks located outside the Philippines, and drawing checks or other orders for the payment of monies;

- submitting periodic reports to our Company: (i) on an annual basis, audited financial statements of our Company; and (ii) on a quarterly basis, (1) unaudited financial statements of our Company and (2) status reports on the proposed investments of our Company;

- doing such other acts as is necessary or advisable in connection with the maintenance and administration of our Company's assets, including ensuring that all investors in our Company are provided with appropriate and relevant information and communications, as well as supervising all consultants and other service providers of our Company;

- negotiating for the purchase of and purchasing of assets to be held by our Company for investment;

- performing legal review, documentation, structuring, due diligence on assets to be acquired;

- where necessary in the reasonable determination of our Fund Manager, retaining persons, firms or entities to provide certain management and administrative services, including tax, corporate secretarial, and accounting services;

- pursuing various exit options and making necessary strategic recommendations to our Company;

- accrediting insurance companies for the purpose of providing a list of approved insurance companies to our Property Manager for the real properties of our Company, including the Properties;

- fully, properly and clearly recording and documenting all procedures and processes followed, and decisions made in relation to whether or not to invest in a particular property;

- establishing and understanding the investment objectives, instructions, risk profile and investment restrictions of our Company prior to making any investment recommendations or carrying out any transactions for or on behalf of our Company; and

- doing any and all acts on behalf of our Company as it may deem necessary or advisable in connection with the management and administration of our Company's assets, including without limitation, the participation in arrangements with creditors, the institution and settlement of compromise of suits and administrative proceedings and other like or similar matters, as applicable and necessary, and to perform all acts and enter into and perform all contracts and other undertakings that it may deem necessary or advisable or incidental thereto.

Fees

Under the Fund Management Agreement, our Fund Manager will receive a management fee, equivalent to 0.10% of the Deposited Property Value plus 3.5% of the EBITDA before deduction of fees payable to our Fund Manager and Property Manager and after deducting interest expense on lease liabilities for the relevant period, exclusive of value-added taxes. Our Fund Manager shall likewise be entitled to an Acquisition Fee equivalent to 1% of the acquisition price, for every acquisition made by it on behalf of our Company, exclusive of value-added taxes, as well as a Divestment Fee of 0.50% of the sales price for every property divested by it on behalf of our Company, exclusive of value-added taxes. The total amount of the management fee, acquisition fee, and divestment fee, paid to our Fund Manager in any given year shall not exceed 1% of the Net Asset Value of the properties under management (the Management Fee, Acquisition Fee, and Divestment Fee shall be collectively referred to as "**Fund Management Fee**"). The Fund Management Fee is structured to align the interests of our Fund Manager and the Shareholders. As such, the Fund Management Fee is calculated based on the Deposited Property Value plus the Company's EBITDA prior to deduction of the fees payable to our Fund Manager and our Property Manager and after deducting interest expense from lease liabilities. For the avoidance of doubt, the Company's EBITDA includes interest income from finance lease. For the purposes of calculating the Fund Management Fee, Deposited Property Value is defined as the total value of the Company's assets reflecting the fair market value of the total assets held by the Company and under management by our Fund Manager. In computing the Fund Management Fee, the formula to be used shall be as follows:

Fund Management Fee = *(0.0010 x Deposited Property Value for the relevant period)*
+ (0.035 x EBITDA before deduction of fees payable to our Fund Manager and Property Manager and after deducting interest expense from lease liabilities for the relevant period)
+ (0.01 x acquisition price for every acquisition made, if applicable)
+ (0.0050 x sales price for every property divested, if applicable)

The Fund Management Fee shall be due and payable to our Fund Manager in quarterly installments. The relevant period refers to the quarter for which the Fund Management Fee is to be applied.

Expenses and Reimbursable Amounts

Under the Fund Management Agreement, our Fund Manager shall be responsible for the expenses necessary for it to render the relevant fund management services. The Fund Management Fee charged to our Company covers the fair and equitable share of our Company in the routine Fund Manager services, including compensation for its employees and other administrative expenses. The Company is responsible and shall reimburse our Fund Manager for the following special expenses, upon presentation by our Fund Manager of the appropriate documentation:

- all operating expenses incurred or advanced by our Fund Manager for or on behalf of our Company, including costs and expenses for advertising and promotional expenses, compensation and benefits of, and expenses to be incurred by full-time employees (whether or not directly hired by our Company, or seconded by our Fund Manager on a full-time basis), payroll, representation, transportation, legal, and audit fees;

- commissions payable to brokers or real estate agents engaged by our Fund Manager;

- legal, auditing, consulting, financing, and accounting fees and expenses for services rendered by a third-party, including all expenses associated with the preparation of financial statements, tax returns, and associated documentation, and setting up and maintaining the accounting, billing, and collection systems; and

- any taxes, fees, or other governmental charges levied against our Company and advanced by our Fund Manager on behalf of our Company.

Reimbursement for such expenses, however, is conditional upon such special expenses being: (1) necessary to preserve or enhance the value of the properties of our Company, including the Properties; (2) payable to a third party covered by a separate contract, and (3) disclosed to the Shareholders.

Termination

Either the Company or our Fund Manager, as the case may be, may terminate the Fund Management Agreement on the following grounds:

- a material breach, default or failure of our Fund Manager to comply with its obligations and undertakings under the Fund Management Agreement;

- the cessation of the corporate existence of our Fund Manager;

- the failure of our Fund Manager to obtain or maintain any license required by applicable Philippine Law for its appointment as Fund Manager and the performance of the services identified under the Fund Management Agreement, including any license required to be obtained in accordance with the Fund Management Agreement;

- a change of principal stockholders of our Fund Manager, or if the principal stockholders of our Property Manager cease to own or control such number of shares in our Fund Manager to be considered as the principal stockholders and the new principal stockholders controlling the Fund Manger are not acceptable to our Company;

- the insolvency of our Fund Manager or the suspension of payment of its debts or the commission by our Fund Manager of any act of bankruptcy under applicable Philippine Law; or

- the suspension or withdrawal or revocation of any material license or permit necessary for our Fund Manager's performance of its obligations under the Fund Management Agreement, or any adverse decision rendered by any court or Government agency permanently affecting our Fund Manager's performance of its obligations under the Fund Management Agreement.

Assignment

Our Fund Manager may not assign its rights and obligations under the Fund Management Agreement without the prior written consent of our Company.

Property Management Agreement

The Properties comprising the initial portfolio of our Company are managed by our Property Manager pursuant to the Property Management Agreement. This Property Management Agreement was entered into on July 22, 2020 between our Company and our Property Manager pursuant to which our Company engaged our Property Manager to operate, maintain, manage, and market each Property, subject to the overall management and directions of our Fund Manager.

The term of the Property Management Agreement is for five years, commencing at 8:00 o'clock in the morning on the date of the approval of the registration statement by the SEC for the initial public offering of the shares of AREIT and the approval of the listing application by the PSE in accordance with the REIT Law, (the "**Commencement Date**"). The Property Management Agreement shall automatically renew for successive five-year terms thereafter, until and unless either party provides the other with 180 days prior written notice of termination.

Pursuant to the Property Management Agreement, in general, the Company shall have the overall responsibility for the facilities management of the properties, marketing of the office and retail spaces in the Properties, management of client accounts, lease administration, operations management, and handling of tenant relations. To this end, our Property Manager shall have the authority to disburse funds of the Company, in so far as such disbursement relates to its functions, and within the budget approved by the Board, and to designate the authorized signatories to effect such disbursements, negotiate and award lease contracts, execute and deliver, on behalf of the Company, all leasing and broker's contracts in accordance with the leasing and marketing plans approved by the Board, and to designate the authorized signatories to execute such contracts.

Property Manager's Services

The services provided by our Property Manager for each Property under its management include the following:

- marketing of vacant office units, retail units, and other spaces in the Properties (including preparation and submission of proposals and offers to prospective lessees in the name of the Company) and identification of potential tenants;

- formulation and implementation of leasing and marketing strategies, and packaging of leasing and marketing materials to be provided to prospective lessees;

- appointment of, and liaison with, external licensed real estate brokers;

- supervision and coordination of all activities and services to be performed towards ensuring the lease of vacant office units, retail units, and other spaces in the properties;

- negotiation, review, and execution of lease contracts on behalf of the Company, enforcement of lease terms and conditions, and awarding, extension, and termination of leases;

- planning, analysis, and review of tenant mix, rental rates, and policies in relation to industry or market standards and requirements;

- supervision of periodic audit of leases and tenant service requirements, including evaluation of customer satisfaction as properties' tenants;

- preparation of monthly status reports on the leasing performance of the properties and review of financial reports for submission to the Company, and preparation and submission of status reports on the proposals and offers to prospective lessees of the building as and when such information are available;

- supervision of billing and collection of rentals and other payments from tenants;

- monitoring of past due accounts and receivables;

- enforcement of tenancy conditions;

- legal review of lease provisions, preparation of lease contracts and related documentation;

- supervision, monitoring, and fulfillment, including signing of tenants' permit applications as a representative of the Company, for physical tenant requirements including those relating to renovation, construction, and fitting-out of leased premises, or any alteration, additions, or improvements thereon, re-measurement of leased premises, review of tenants' fit-out plans, and monitoring of tenants' fit-out works;

- representation of the Company in compliance with the various government agencies, relating to any concerns regarding management of the Properties;

- review of rules and regulations covering the use of common areas;

- ensuring compliance with government regulations in respect of the Properties;

- performing tenancy administration work, such as managing tenant occupancy and ancillary amenities, and negotiating with tenants on grant, surrender, and renewal of lease, rent review, termination, and re-letting of premises;

- conducting rental assessment, formulating tenancy terms, preparing tenancy agreements, rent collection and accounting, recovery of arrears and possession;

- securing and administering routine management services, including security control, fire precautions, communication systems, and emergency management;

- maintenance and management of the physical structures of the Properties;

- formulate and implement policies and programs in respect of building management, maintenance and improvement;

- initiating refurbishment and monitoring such activity;

- overseeing building management operations relating to security, utilities, repairs, and maintenance, emergency management, and other items constituting direct operating expenses, including engagement of contractors for such purposes, on behalf of the Company;

- performance of any and all acts and functions on behalf of the Company as it may deem necessary, incidental, or advisable in connection with the management and administration of leases, and property management; and

- full, proper, and clear documentation of all procedures and processes followed, and decisions made in relation to whether or not to invest in particular properties in accordance with the REIT Law.

Fees

Under the Property Management Agreement, our Property Manager is entitled to a fee comprising 3% of our Company's Gross Rental Income and Interest Income from finance lease per year, plus 2% of our Company's EBITDA before deducting fees payable to our Fund Manager and Property Manager and after deducting interest expense from lease liabilities for the relevant period, exclusive of value-added tax, provided that such fee shall not exceed 1% of the Net Asset Value of the properties being managed, as provided under the rules of the REIT Law (the "**Property Management Fee**"). The Property Management Fee is structured to ensure that our Property Manager provides superior service to our Company and the Properties that our Property Manager oversees. As such, the Property Management fee is calculated based on the Company's Gross Rental Income and EBITDA. For the avoidance of doubt, the Company's EBITDA includes interest income from finance lease. For the purposes of calculating the Property Management Fee, Gross Rental Income is defined as the total amount payable by all tenants and licensees pursuant to a lease or license, which includes rent and fees payable under such lease or license agreement and related service charges. In computing the Property Management Fee, the formula to be used shall be as follows:

Property Management Fee	=	*(0.03 x Gross Rental Income and Interest Income from finance lease for the relevant period)* *+ (0.02 x EBITDA before deducting fees for Fund Manager and Property Manager and after deducting interest expense from lease liabilities for the relevant period)*

The Property Management Fee shall be due and payable to our Property Manager in quarterly installments. The relevant period refers to the quarter for which the Property Management Fee is to be applied.

Expenses and Reimbursable Amounts

Under the Property Management Agreement, our Property Manager shall be responsible for the expenses necessary for it to render the relevant management services, including compensation for its employees which are assigned to manage and administer the leases on a part-time or full-time basis, and other administrative expenses. The management fees charged to the Company shall cover the fair and equitable share of the Company in the total routine administrative expenses of our Property Manager, such as salaries and wages, supplies, appraisals, security, messengerial and janitorial services, supervision fees imposed by the relevant regulatory agency and internal audit fees. The Company will be responsible and shall reimburse our Property Manager for the following special expenses, upon presentation by our Property Manager of the appropriate documentation:

- all operating expenses incurred or advanced by our Property Manager for or on behalf of the Company, including costs and expenses for advertising and promotional expenses, compensation and benefits of, and expenses to be incurred by full-time employees (whether or not directly hired by the Company, or seconded by the Property Management on a full-time basis), payroll, representation, transportation, legal, and audit fees;

- commissions payable to brokers or real estate agents;

- legal, auditing, consulting, financing, and accounting fees and expenses for services rendered by a third-party, including all expenses associated with the preparation of financial statements, tax returns, and associated documentation, and setting up and maintaining the accounting, billing, and collection systems; and

- any taxes, fees, or other governmental charges levied against AREIT and advanced by our Property Manager on behalf of AREIT.

Reimbursement for such expenses, however, is conditional upon such special expenses being: (1) necessary to preserve or enhance the value of the Properties; (2) payable to a third party covered by a separate contract, and (3) disclosed to AREIT's stockholders.

Termination

Either the Company or our Property Manager, as the case may be, may terminate the Property Management Agreement on the following grounds:

- a material breach, default, or failure of either party to comply with its obligations and undertakings under the Property Management Agreement;

- the cessation of the corporate existence of either party, or the change of the principal shareholders of either party;

- the insolvency of either party or suspension of payment of its debts or the commission by either party of any act of bankruptcy under applicable Philippine Law; and

- the suspension or withdrawal or revocation of any material license or permit necessary for either party's performance of its obligations under the Fund Management Agreement, or any adverse decision rendered by any court or government agency permanently affecting either party's performance of its obligations under the Property Management Agreement, and the effects of such suspension, withdrawal, or revocation of license or permit, or such adverse decision cannot be remedied or persists or continues to remain un-remedied.

Assignment

Our Property Manager may not assign the Property Management Agreement without the prior written consent of our Company.

Subcontracting

Our Property Manager shall be allowed to subcontract any of the services, provided that such subcontractor is of reputable repute and has the required competency to perform the services. Notwithstanding a subcontracting arrangement, our Property Manager shall be primarily responsible for all actions of the subcontractor, and shall hold the Company free and harmless from any and all liabilities, fault, or cause of action of such subcontractor.

REGULATORY AND ENVIRONMENTAL MATTERS

The following description is a summary of certain laws and regulations in the Philippines that are generally applicable or relevant to companies such as ours, operating under the REIT Law, and the real estate industry. The information detailed in this section has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

REAL ESTATE LAWS

The REIT Law

Republic Act No. 9856 or the Real Estate Investment Trust Act of 2009 lapsed into law on December 17, 2009. Pursuant to Section 22 of the said law, the SEC approved the implementing rules and regulations of the Real Estate Investment Trust Act of 2009 on May 13, 2010. Under the said law, a REIT is a public company established primarily for the purpose of owning income-generating real estate assets. A REIT is formed by establishing a stock corporation and registering its shares of stock with the SEC and listing its shares with the PSE. Thus, prior to the registration of its shares and listing with the PSE, the company to be established as the REIT vehicle will be any ordinary stock corporation whose primary purpose is to engage in the operation of income-generating real estate or real-estate related assets.

On January 20, 2020, the SEC issued Memorandum Circular No. 1, Series of 2020 (the "**Revised REIT IRR**"), amending the existing REIT regulations by, among other things, modifying the minimum public ownership of a REIT, incorporating a reinvestment of proceeds policy, imposing additional corporate governance mechanisms into a REIT, and adding qualifications of a REIT fund manager and property manager. The regulatory amendment was published in a newspaper of general circulation on January 23, 2020 and shall become effective on February 7, 2020, fifteen (15) days after its complete publication in the Official Gazette or two (2) newspapers of general circulation.

Minimum Requirements of a REIT

In order to be considered a REIT and to benefit from the incentives under the law, the REIT must register its shares with the SEC and list its shares with the PSE. The procedure for the registration and listing of such shares as a REIT shall comply with the applicable registration and listing rules and regulations of the SEC and the PSE, in addition to the specific requirements under the REIT Law and the PSE REIT Listing Rules.

To be eligible as a REIT, it must meet the following requirements:

1. Have minimum paid-up capital of ₱300,000,000 at the time of incorporation which can be either in cash and/or property;

2. Be a public company and to be considered as such, maintain its status as a listed company; and upon and after listing, have at least 1,000 public shareholders each owning at least 50 shares of any class of shares who in the aggregate own at least one-third (1/3) of the outstanding capital stock of the REIT;

3. Appoint a fund manager that is independent from the REIT and its sponsor(s)/promoter(s), and complies with Rule 6, Section 1 of the Revised REIT IRR in order to ensure independence;

4. Appoint a property manager who is independent from the REIT and its sponsor/promoter(s), and complies with Rule 7, Section 1 of the Revised REIT IRR in order to ensure independence;

5. At least 1/3 or at least two (2), whichever is higher, of the Board of Directors of the REIT must be independent directors;

6. Have such organization and governance structure that is consistent with the Revised Code of Corporate Governance and pertinent provisions of the SRC and its IRR and hold such meetings as provided for in its constitutive documents pursuant to the Revised Corporation Code.

7. Our Fund Manager, Property Manager, directors and officers of the REIT must meet the qualifications under the Fit and Proper Rule of the SEC for a REIT, and the requirements stated in Rule 6, Section 2, and Rule 7, Section 2 of the Revised REIT IRR, respectively;

8. A REIT must distribute at least 90% of its distributable income annually, as dividends to its shareholders not later than the last working day of the 5th month following the close of the fiscal year of the REIT, subject to the conditions provided in Rule 4 Section 4 of the Revised REIT IRR;

9. The REIT shall also appoint an independent and duly accredited Property Valuer in accordance with Rule 9, Section 1 of the Revised REIT IRR; and

10. The REIT may only invest in certain allowable investments as will be further discussed in detail below.

Allowable Investments of a REIT

The REIT Law limits the allowable investment of a REIT to the following:

1. Real Estate, whereby 75% of the total value of the REIT's assets reflecting the fair market value of total assets held ("**Deposited Property**") must be invested in, or consist of, income-generating real estate and 35% of which must be located in the Philippines. Should a REIT invest in income-generating real estate located outside of the Philippines, the same should not exceed 40% of its Deposited Property and only upon special authority from the SEC. An investment in real estate may be by way of direct ownership or a shareholding in a domestic special purpose vehicle constituted to hold/own real estate. An income-generating real estate is defined under the REIT Law to mean real property which is held for the purpose of generating a regular stream of income such as rentals, toll fees, user's fees, ticket sales, parking fees and storage fees;

2. Real estate-related assets, wherever the issuers, assets, or securities are incorporated, located, issued or traded;

3. Evidence of indebtedness of the Republic of the Philippines and other evidence of indebtedness or obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines (i.e. treasury bills, fixed rate treasury notes, treasury bonds, and foreign currency linked notes);

4. Bonds and other evidence of indebtedness issued by: (a) the government of any foreign country with which the Philippines maintains diplomatic relations, with a credit rating obtained from a reputable credit rating agency or a credit rating agency acceptable to the SEC that is at least two notches higher than that of ROP bonds; and (b) supranationals (or international organizations whose membership transcends national boundaries or interests, e.g. International Bank for Reconstruction and Development or the Asian Development Bank);

5. Corporate bonds or non-property privately-owned domestic corporations duly registered with the SEC with a current credit rating of at least "A" by an accredited Philippine rating agency;

6. Corporate bonds of a foreign non-property corporation registered in another country provided that said bonds are duly registered with the SEC and the foreign country grants reciprocal rights to Filipinos;

7. Commercial papers duly registered with the SEC with a current investment grade credit rating based on the rating scale of an accredited Philippine rating agency at the time of investment;

8. Equities of a non-property company listed in a local or foreign stock exchange, provided that these stocks shall be issued by companies that are financially stable, actively traded, possess good track record of growth and have declared dividends for the past 3 years;

9. Cash and cash equivalent items;

10. Collective investment schemes duly registered with the SEC or organized pursuant to the rules and regulation of the BSP, provided that: (i) the collective investment scheme must have a track record of performance at par with or above the median performance of pooled funds in the same category as appearing the prescribed weekly publication of the Net Asset Value Per Unit of the Collective Investment Scheme units; and (ii) new collective investment schemes may be allowed provided that its fund manager has at least a three-year track record in managing pooled funds; and

11. Offshore mutual funds with ratings acceptable to the SEC.

In addition, under the REIT Law, a REIT may also invest not more than five percent (5%) of its investible funds in synthetic investment products such as, but not limited to, credit default swaps, credit-linked notes, collateralized debt obligations, total return swaps, credit spread options, and credit default options, and only upon special authority from the appropriate regulatory authority.

Taxation of REITs

Income Tax

Under Revenue Regulations No. 13-2011, a REIT shall be taxable on all income derived from sources within and without the Philippines at the applicable income tax rate of 30% as provided under Section 27(A) of the National Internal Revenue Code ("**NIRC**") on its taxable net income as defined in the REIT Law and Revenue Regulations No. 13-2011, provided, that in no case shall it be subject to minimum corporate income tax.

Under the REIT Law, Taxable Net Income means the pertinent items of gross income specified in Section 32 of the NIRC less (a) all allowable deductions enumerated in Section 34 of the NIRC (itemized or optional standard deductions) and (b) the dividends distributed by a REIT out of its own Distributable Income as of the end of the taxable year as (i) dividends to owners of the common shares and (ii) dividends to owners of the preferred shares pursuant to their rights and limitations specified in the Articles of Incorporation of the REIT. Furthermore, for purposes of computing the taxable net income of a REIT, the dividends allowed as deductions during the taxable year pertain to dividends actually distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth month from the close of the taxable year Any dividends distributed within this prescribed period shall be considered as paid on the last day of REIT's taxable year.

In computing the income tax due of a REIT, the formula to be used shall be as follows:

Gross Income		(as defined under Section 32 of the NIRC)
Less:		
	Allowable Deductions	(as provided under Section 34 whether itemized or Optional Standard Deduction)
	Dividends Paid	(as defined under these Regulations)
	Taxable Net Income	
	x 30%	
	Income Tax Due	

Under Revenue Regulations No. 3-2020, a REIT shall maintain its status as public company from the year of its listing, at the latest and thereafter, and shall comply with the provisions of its submitted Reinvestment Plan, as certified by the SEC. Otherwise, the dividend payment shall not be allowed as a deduction from its taxable income. For purposes of Revenue Regulations No. 3-2020, a "public company" is a company listed with the Exchange and which, upon and after listing, has at least one thousand (1,000) public shareholders each owning at least fifty (50) shares of any class and who, in the aggregate, own at least one-third (1/3) of the outstanding capital stock of the REIT.

Furthermore, upon the occurrence of any of the following events, a REIT shall be subject to income tax on its taxable net income as defined in the NIRC instead of its taxable net income as defined in the REIT Law: (a) failure to maintain its status as a public company as defined in the REIT Law; (b) failure to maintain the listed status of the investor securities on the PSE and the registration of the investor securities by the SEC; (c) failure to distribute at least 90% of its Distributable Income as required by the REIT Law; or (d) any combination of the foregoing. A curing period of 30 days shall be observed from the time of the occurrence of any of the abovementioned events. The SEC shall determine the appropriate compliance by the REIT within the curing period, the result of which shall be immediately communicated to the BIR.

A REIT availing of tax incentives under the REIT Law shall not be entitled to avail of incentives for the same types of taxes that may be available under special laws. Moreover, under Revenue Regulations No. 3-2020, as a condition for the availment of tax incentives, the REIT must comply with its Reinvestment Plan, as certified by the SEC. The Certification from the SEC that the REIT is compliant with its Reinvestment Plan must be submitted by the REIT as an attachment to its Annual Income Tax return and Audited Financial Statements on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year).

Creditable Withholding Tax

Income payments received by a REIT which are subject to the expanded withholding tax shall be subject to a lower creditable withholding tax of 1%.

Transfer Taxes

The sale or transfer of real property to a REIT, including the sale or transfer of any and all security interest thereto, shall be subject to 50% of the applicable Documentary Stamp Tax ("**DST**"). Moreover, all applicable registration and annotation fees relative or incidental thereto shall be 50% of the applicable registration and annotation fees. Both incentives can be availed by an unlisted REIT, provided it is listed with the PSE within two years from the initial availment of the incentives.

The 50% of the applicable DST shall be due and demandable together with the applicable surcharge, penalties, and interest thereon reckoned from the date such tax should have been paid upon the occurrence of any of the following events: (a) failure to list with the PSE within a period two years from the date of initial availment; (b) failure to maintain its status as a public company as defined in the REIT Law; (c) failure to maintain the listed status of the investor securities on the PSE and the registration of the investor securities with the SEC; or (d) failure to distribute at least 90% of its Distributable Income required under the REIT Law. A curing period of 30 days shall be observed from the time of the occurrence of any of the abovementioned events. The SEC shall determine the appropriate compliance by the REIT within the curing period, the result of which shall be immediately communicated to the BIR.

Value Added Tax

The gross sales from any disposal of real property or gross receipts from the rental of such real property by the REIT shall be subject to Value Added Tax ("**VAT**"). The REIT shall not be considered as a dealer in securities and shall not be subject to VAT on its sale, exchange, or transfer of securities forming part of its real estate-related assets.

On January 29, 2020, the BIR issued Revenue Regulations No. 3-2020 amending certain provisions of Revenue Regulation No. 13-2011, implementing the tax provisions of the REIT Law. Pursuant to Revenue Regulations No. 3-2020, the transfer of property to a REIT in exchange for its shares is exempt from VAT, as well as income tax and DST, if made pursuant to a tax-free exchange under Section 40(C)(2) of the NIRC.

Tax-Free Exchange

Under Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 3-2020 transfers or exchanges of real property for shares of stock in a REIT falling under Section 40(C)(2) of the NIRC shall have the following tax consequences: (a) the transferor shall not recognize any gain or loss on the transfer of the property to a REIT, and shall not be subject to capital gains tax, income tax, or creditable withholding tax on the transfer of such property to a REIT; and (b) the transfer of property to a REIT in exchange for its shares is exempt from VAT as provided under Section 109(X), in relation to Section 40(C)(2) of the NIRC.

Applications for confirmation of tax-free exchange under Section 40(C)(2) of the NIRC shall be governed by the provisions of Revenue Regulations No. 18-2001. For monitoring purposes, a specific annotation shall be annotated on the reverse side of the Transfer Certificate of Title or Condominium Certificate of Title or Certificate of Stock that is transferred or issued pursuant to such transfer or exchange.

In general, Section 15 of Revenue Regulations No. 13-2011 provides that unless otherwise provided in the REIT Law, the internal revenue taxes under the NIRC shall apply.

On January 2018, Republic Act No. 10963 otherwise known as the Tax Reform for Acceleration and Inclusion Act (the "**TRAIN Law**") was passed, and Section 86 thereof provides for a repealing clause enumerating the laws or provisions of laws that are repealed and the persons and/or transactions affected made subject to the changes in the VAT provisions of Title IV of the NIRC, as amended. The REIT Law is not part of this enumeration. On March 15, 2018, the BIR issued Revenue Regulations No. 13-2018, amending the consolidated VAT rules under Revenue Regulations No. 16-2005. Among other things, Revenue Regulations No. 13-2018 inserted as among the VAT exempt transactions the transfer of property pursuant to Section 40(c)(2) of the NIRC implementing Section 34 of the TRAIN Law.

On January 29, 2020, the BIR issued Revenue Regulations No. 3-2020 amending certain provisions of Revenue Regulation No. 13-2011, implementing the tax provisions of the REIT Law. Pursuant to Revenue Regulations No. 3-2020, the transfer of property to a REIT in exchange for its shares is exempt from VAT as provided under Section 109(X) of the NIRC.

Reportorial Requirements and Other Matters

Under Revenue Regulations No. 13-2011, every quarter, a REIT is required to submit to the Large Taxpayers Regular Audit Division 3 ("**LTRAD 3**") a sworn statement containing the list of its shareholders, their Tax Identification Number, their shareholdings, and the percentage that their shareholding represents.

As a withholding agent, the REIT is required to file withholding tax returns and remit withholding taxes on all income payments that are subject to withholding pursuant to the provisions of the NIRC and its implementing regulations.

A REIT shall, in addition to the existing requirements under the NIRC and its implementing regulations, and the requirements contained in the above paragraphs, submit to LTRAD 3, annually on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year) the following:

- a certification by a responsible person designated by SEC that the REIT is compliant with the minimum public ownership requirement;
- a schedule of dividend payments indicating the name, address, amount of investment, classification of shares, amount of dividends, final tax-due of each investor, and a sworn statement that the minimum ownership requirement was maintained at all times;
- a certified true copy of the Philippine passport, or Certificate of Recognition issued under Republic Act No. 9255 of an overseas Filipino investor;
- a certified true copy of the employment contract of an overseas Filipino investor;
- a copy of the contract between the REIT and its fund manager;
- a copy of the contract between the REIT and its property manager;
- a quarterly written report on the performance of the REIT's funds and properties;
- any amendment(s) to the REIT Plan as approved by the SEC;
- a copy of the valuation report prepared by the REIT's appointed property valuer; and
- original/certified true copy of the Certification from the SEC that the REIT is compliant with its Reinvestment Plan, duly received by the BIR.

In case of each failure to file an information return, statement, or list, or to keep any record, or to supply any information required by Revenue Regulations No. 13-2011, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall upon notice and demand by the SEC, payment by the person failing to file, keep, or supply the same of ₱1,000 for each such failure; provided, however, that the aggregate amount to be imposed for all such failures during a calendar year shall not exceed ₱25,000.

Tax Incentives

A REIT enjoys the following tax incentives:

1. A tax deduction for dividends paid, in addition to the allowable deductions provided for under the National Internal Revenue Code, to arrive at its taxable income. For a REIT to enjoy this tax incentive, it should maintain its status as a "public company," observe the mandatory 90% dividend payout requirement of distributable income to shareholders, and submit a sworn statement that the minimum ownership requirements for the relevant years were maintained at all times."

2. Exemption from the minimum corporate income tax ("**MCIT**"), as well as documentary stamp tax ("**DST**") on the sale, barter, exchange, or other disposition of listed investor securities through the PSE, including cross or block sales with prior approval of the PSE. It is also exempted from paying the initial public offering ("**IPO**") tax on its initial and secondary offering of its investor securities.

3. A lower creditable withholding tax rate of 1% of its receipt of income payments. It also benefits from the 50% reduction on the amount of DST due on sale or transfer of real property to a REIT, including the sale or transfer of any and all security interest, and applicable registration and annotation fees incidental to such transfers.

Shareholders of a REIT enjoy the following tax incentives:

1. Dividends paid by a REIT to resident citizens and aliens are subject to 10% final tax. However, if the dividends are received by overseas Filipino investors, such dividends shall be exempt from the payment of income or any withholding tax. Such exemption shall be enjoyed by overseas Filipino workers for a period of seven years from the effectivity of the BIR regulations implementing the tax provisions of REIT Act. Revenue Regulations No. 13-2011 was published in a newspaper of general circulation on July 27, 2011 and took effect fifteen (15) days after that, or on August 11, 2011.

2. In general, dividends received from a REIT shall be subject to a final tax of 10%. However, dividends received by a domestic corporation or a resident foreign corporation from REITs are not subject to income tax or withholding tax. If the recipient of the dividends paid by REITs is a non-resident alien individual or a nonresident foreign corporation, the dividends shall be subject to tax at 10% or they may claim a preferential withholding tax rate of less than 10% pursuant to an applicable tax treaty.

Applicability of Income Taxation Incentive and DST Tax Incentive

Section 11 of Revenue Regulations No. 13-2011, as amended by Revenue Regulations No. 03-2020, provides that, in order for a REIT to qualify for the income taxation incentive and the DST incentive on the transfer of real property, a REIT must be a public company.

Conversely, for a REIT to qualify for the DST incentive on the transfer of real property, it should be listed with the PSE within two years from the date of its initial availment of the incentive (i.e., the date of the execution of the transfer documents) and maintain its listed status. While unlisted, the REIT in addition to all other presently existing requirements for the issuance of a Certificate Authorizing Registration ("**CAR**"), shall (a) execute an undertaking that it shall list within two years from the date of its initial availment of the incentive, and (b) place, for the benefit of the BIR, in escrow the 50% DST given as an incentive and pay for the remaining 50%. The REIT basically sets aside the full amount for the DST, and the 50% in escrow is returned only upon submission of proof of listing within the two-year period required by the REIT Law, otherwise it shall be released in favor of Government.

Revocation of Tax Incentives

Under Revenue Regulations No. 13-2011, a REIT shall be subject to the applicable taxes, plus interests and surcharges, under the NIRC upon the occurrence of any of the following events, subject to the rule on curing period where applicable: (a) failure of a REIT to maintain its status as a public company; (b) failure of a REIT to maintain the listed status of the investor securities on the PSE and the registration of the investor securities by the SEC; (c) failure of a REIT to distribute at least 90% of its Distributable Income; (d) failure of a REIT to list with the PSE within the two-year period from date of initial availment of DST incentive; (e) failure of a REIT to submit the original or certified true copy of the Certification from the SEC that the REIT is compliant with its Reinvestment Plan, duly received by the BIR; (e) revocation or cancellation of the registration of the securities of a REIT; and (f) failure of a REIT to comply with the Certification from the SEC that the REIT is compliant with its Reinvestment Plan which must be submitted by the REIT as an attachment to its Annual Income Tax return and Audited Financial Statements on or before April 15 (or on the 15th day of the 4th month following the close of the fiscal year).

Delisting and its Tax Consequences

In the event that a REIT is delisted from the PSE, whether voluntarily or involuntarily for failure to comply with the provisions of the REIT Law or the rules of the PSE, the tax incentives granted under the REIT Law shall be *ipso facto* revoked and withdrawn as of the date the delisting becomes final and executory.

Any tax incentive that has been availed of by the REIT thereafter shall be refunded to the Government within 90 days from the date when the delisting becomes final and executory, with the applicable interests and surcharges under the NIRC and Section 19 of the REIT Law.

Upon revocation due to delisting, an assessment notice shall be prepared to recover the deficiency income tax and DST due from a REIT. The deficiency taxes shall immediately become due and demandable and collection thereof shall be enforced in accordance with the provisions of the NIRC.

This shall be without prejudice to the penalties to be imposed by the BIR. If the delisting is for causes highly prejudicial to the interest of the investing public such as violation of the disclosure and related party transactions of the REIT Law or insolvency of the REIT due to mismanagement or misappropriation, conversion, wastage, or dissipation of its corporate assets, the responsible persons shall refund to the REIT's investors at the time of final delisting the book value/acquisition cost of their shares.

Nationality Restriction

The Philippine Constitution and Philippine statutes set forth restrictions on foreign ownership of companies engaged in certain activities.

The ownership of private lands in the Philippines is reserved for Philippine Nationals and Philippine corporations at least 60% of whose capital stock is owned by Philippine Nationals. The prohibition is rooted in Sections 2, 3 and 7 of Article XII of the 1987 Philippine Constitution, which states that, save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations or associations qualified to acquire or hold lands of the public domain. In turn, the nationality restriction on the ownership of private lands is further underscored by Commonwealth Act No. 141 which provides that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Furthermore, the Foreign Investments Act and the Eleventh Regular Foreign Investment Negative List categorize the ownership of private lands as a partly-nationalized activity, such that the operation, ownership, or both thereof is partially reserved for Filipinos. Thus, landholding companies may have a maximum of 40% foreign equity.

As of the date of this REIT Plan, our Company does not own land. Nevertheless, because our Articles of Incorporation authorizes our Company to acquire land, which may include land in the Philippines, foreign shareholdings in our Company may not exceed 40% of our total issued and outstanding capital stock.

Property Registration

The Philippines has adopted a system of land registration, which evidences land ownership that is binding on all persons. Title to registered lands cannot be lost through possession or prescription. Presidential Decree No. 1529, as amended, otherwise known as the Property Registration Decree, codified the laws relating to land registration to strengthen the Torrens system and streamline and simplify registration proceedings and the issuance of certificates of title.

After proper surveying, application, publication, service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration.

Similarly, in an administrative proceeding, the land is granted to an applicant by DENR through issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents (i.e. homestead, sales and free patent) must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new transfer certificate of title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

Zoning and Land Use

Land use may be limited by zoning ordinances enacted by local government units. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the Department of Agrarian Reform ("**DAR**"), land classified for agricultural purposes as of, or after, June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Local Government Code

Republic Act No. 7160, as amended, otherwise known as the Local Government Code ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit ("**LGU**") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, though its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of prosperity, and the promotion of morality, peace, good order, comfort, convenience, and general welfare for the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

An ordinance may be repealed by a subsequent ordinance expressly repealing or declaring it as invalid. An ordinance may also be repealed by implication by a subsequent ordinance that is inconsistent or contrary, in whole or in part, to the previous ordinance. Under the LGC, the *Sangguniang Panlalawigan* (provincial council) has the power to review ordinances passed by a component city council and can declare ordinances invalid, in whole or in part, if it finds that the lower council exceeded its authority in enacting the ordinance.

Real Estate Sales on Installments

The provisions of Republic Act No. 6552, or the Maceda Law, apply to all transactions or contracts involving the sale or financing of real estate on installment payments (including residential condominium units but excluding industrial and commercial lots). Under the provisions of the Maceda Law, where a buyer of real estate has paid at least two years of installments, the buyer is entitled to the following rights in case he/she defaults in the payment of succeeding installments:

(a) To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is fixed at the rate of one month for every one year of installment payments made. However, the buyer may exercise this right only once every five years during the term of the contract and its extensions, if any.

(b) If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five years of installments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments); provided that the actual cancellation of the contract shall take place after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

Down payments, deposits, or options on the contract shall be included in the computation of the total number of installment payments made.

In the event that the buyer has paid less than two years of installments, the seller shall give the buyer a grace period of not less than 60 days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Department of Human Settlements and Urban Development Act

Republic Act No. 11201, otherwise known as "Department of Human Settlements and Urban Development Act was signed by the President on February 14, 2019. The Implementing Rules and Regulations of the Act was approved on July 19, 2019. This Act created DHSUD through the consolidation of HUDCC and HLURB, simultaneously with the reconstitution of HLURB into Human Settlement Adjudication Commission ("HSAC"). The functions of the HUDCC and the planning and regulatory functions of HLURB shall be transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB.

The DHSUD shall:

1. Act as the primary national government entity responsible for the management of housing, human settlement and urban development;

2. Be the sole and main planning and policy-making, regulatory, program, coordination, and performance monitoring entity for all housing, human settlement and urban development concerns, primarily focusing on the access to an affordability of basic human needs. The following functions of HLURB are transferred to DHSUD:

   a. The land use planning and monitoring function, including the imposition of penalties for noncompliance to ensure that LGUs will follow the planning guidelines and implement their CLUPs and ZOs;

   b. The regulatory function, including the formulation, promulgation, and enforcement of rules, standards and guidelines over subdivisions, condominiums and similar real estate developments, and imposition of fines and other administrative sanctions for violations, pursuant to PD 957, as amended, BP 220 and other related laws; and

   c. The registration, regulation and supervision of Homeowners Associations, including the imposition of fines for violations, pursuant to RA 9904, Section 26 of RA 8763 in relation to Executive Order No. (EO) 535, series of 1979, and other related laws; and

   d. The adjudicatory mandate of the HLURB.

3. Develop and adopt a national strategy to immediately address the provision of adequate and affordable housing to all Filipinos, and ensure the alignment of the policies, programs, and projects of all its attached agencies to facilitate the achievement of this objective.

All existing policies, and rules and regulations of the HUDCC and the HLURB shall continue to remain in full force and effect unless subsequently revoked, modified or amended by the DHSUD or the HSAC, as the case may be.

All applications for permits, licenses and other issuances pending upon the effectivity of the Act and filed during the transition period shall continue to be acted upon by the incumbents until transition shall have been completed.

All cases and appeals pending with the HLURB shall continue to be acted upon by the HLURB Arbiters and the Board of Commissioners, respectively, until transition shall have been completed and the Commission's operations are in place. Thereafter, the Regional Adjudicators and the Commission shall correspondingly assume jurisdiction over those cases and appeals. All decisions of the Commission shall thenceforth be appealable to the Court of Appeals under Rule 43 of the Rules of Court.

The transition period shall commence upon the effectivity of the Implementing Rules and Regulations and shall end on December 31, 2019. Thereafter, the Act shall be in full force and effect.

Fire Code

Republic Act No. 9514, or the Fire Code of the Philippines ("**R.A. 9514**"), aims to ensure public safety and prevent and suppress all kinds of destructive fires. It provides that building owners or administrators must comply with the following:

1. Inspection requirements;

2. Safety measures for hazardous materials;

3. Safety measures for hazardous operation/processes;

4. Provision on fire safety construction, protective and warning system; and

5. Abatement of fire hazards.

In addition, R.A. 9514 provides for penalties for violation of its provisions.

Real Property Taxation

Real property taxes are payable annually based on the property's assessed value. Under the LGC, the assessed value of property and improvements vary depending on the location, use and the nature of the property. An additional special education fund tax of 1% of the assessed value of the property may also be levied annually by the local government unit. The basic real property tax and any other tax levied on real property constitute a lien on the property subject to tax, superior to all liens, charges or encumbrances in favor of any person, irrespective of the owner or possessor thereof, enforceable by administrative or judicial action, and may only be extinguished upon payment of the tax and the related interests and expenses. Should the reasonableness or correctness of the amount assessed be questioned, a protest in writing may be filed with the treasurer of the local government unit, but the taxpayer must first pay the tax, and the tax receipts shall be annotated with the words "paid under protest."

Special Economic Zone Act

The State recognizes the indispensable role of the private sector and encourages the growth of private enterprise by providing incentives to needed investments.

The Philippine Economic Zone Authority ("**PEZA**"), is a government corporation that operates, administers and manages designated special Ecozones around the country. Ecozones, which are generally created by proclamation of the President of the Philippines subject to the evaluation and recommendation of PEZA, are areas earmarked by the Government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions.

An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. Under R.A. No. 7916, as amended (the "**Special Economic Zone Act of 1995**"), an Ecozone enterprise, on the other hand, includes, among others, export enterprises, domestic market enterprises, pioneer enterprises, facilities enterprises, and developers or operators. Generally, enterprises registered with PEZA and PEZA facility developers and operators enjoy fiscal and non-fiscal incentives such as an income tax holiday, and duty-free importation of equipment, machinery, and raw materials. In order to avail of such incentives however, enterprises are required to comply with the obligations under the Special Economic Zone Act of 1995 as well as directives PEZA may issue and conditions stipulated in the registration. Further, there are reportorial requirements to comply with such as the submission of financial documents (Audited Financial Statements, Income Tax Returns).

An Ecozone developer or operator refers to a business entity or concern duly registered with or licensed by PEZA to develop, operate, and maintain an Ecozone or any or all of the component industrial estates, export processing zones, free trade zones, or tourist or recreational centers and the required infrastructure facilities and utilities such as light and power systems, water supply and distribution systems, sewerage and drainage systems, pollution control devices, communication facilities, paved road networks, administration buildings, and other facilities as may be required by PEZA. An Ecozone developer or operator may be an information technology park developer or operator, among other types of developers or operators.

LABOR LAWS

The Philippine Constitution

The Philippine Constitution provides that the State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth. The seven basic rights that are specifically guaranteed by the Philippine Constitution are as follows:

(a) Right to organize;

(b) Right to conduct collective bargaining or negotiation with management;

(c) Right to engage in peaceful concerted activities, including strikes in accordance with law;

(d) Right to enjoy security of tenure;

(e) Right to work under humane conditions;

(f) Right to receive a living wage; and

(g) Right to participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

Labor Code of the Philippines

Presidential Decree No. 442, as amended, or the Labor Code of the Philippines ("**Labor Code**") seeks to protect labor, promote full employment, ensure equal opportunities regardless of sex, race, or creed and regulate the relations between workers and employers. All doubts in the implementation and interpretation of the provisions of the Labor Code shall be resolved in favor of labor.

The Department of Labor and Employment ("**DOLE**") is the lead agency in the enforcement of labor laws.

The Labor Code and other statutory laws specify the minimum statutory benefits that employers are required to grant to their employees.

Retirement Benefits

All employees are entitled to receive retirement benefits that they have earned upon retirement under existing laws or collective bargaining agreements. An employee's retirement benefits under a collective bargaining agreement and other agreements must not be less than those provided under the Labor Code. In the absence of a retirement plan or agreement providing for retirement benefits of employees, an employee, upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least five years in the establishment, may retire and shall be entitled to retirement pay equivalent to at least ½ month salary for every year of service.

Social Security System or the Social Security Law

On March 15, 2019, Republic Act No. 11199, otherwise known as the Social Security Act of 2018 took effect, rationalizing and expanding the powers and duties of the Social Security Commission to ensure the long-term viability of the Social Security System, effectively repealing Republic Act No. 1161, as amended by Republic Act No. 8282. The Social Security Act of 2018 rationalizes the organization of the Social Security System, mandating it to function and operate as an independent and accountable government-owned and-controlled corporation. The system is a security program that provides financial benefits to qualified members in cases of contingencies such as retirement, disability, death, sickness, maternity and other employment-related injury. All employees, including domestic workers not over 60 years of age are automatically covered by the SSS. Under this law, an employer must deduct from its employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations. Every employer required to deduct and to remit the contributions shall be liable for the payment of a penalty in addition to the contributions, if any of the contributions are not remitted to the SSS, and shall also be held criminally liable.

National Health Insurance Act

This act provides for the National Health Insurance Program of the Philippines, administered by the Philippine Health Insurance Corporation ("**PhilHealth**"), a government corporation under the Department of Health ("**DOH**"). It provides for universal and compulsory health insurance coverage and it ensures affordable, acceptable, available and accessible health care services for all Filipino citizens. The law provides that a member should have paid his contributions for at least three months within the six months prior to the first day of availment, including those of his dependents, to be entitled to the benefits of the program.

On March 8, 2019, Republic Act No. 11223 otherwise known as the Universal Health Care Law took effect.

Home Development Mutual Fund

The Home Development Mutual Fund, otherwise known as Pag-IBIG Fund and currently governed by Republic Act No. 9679, is a savings system for employees and other earning groups, supported by matching mandatory contributions from the employer with housing as the primary investment. All employees covered by the SSS and the Government Service Insurance System are mandatorily covered by this law. The basis of the corresponding contributions of both the employer and the employee is the employee's monthly compensation.

Workers' Health and Safety

The Rules for Occupational Safety and Health Standards ("**OSHS**") issued by the Bureau of Working Conditions of the DOLE establishes the threshold limit values ("**TLV**") for toxic and carcinogenic substances which may be present in the atmosphere of the work environment. The TLV refer to airborne concentration of substances and represent the conditions under which it is believed that nearly all workers may be repeatedly exposed daily without adverse effect. The TLV also pertains to the time weighted concentrations for an eight-hour workday and a total of 48 work hours per week.

The employees' exposure to the substances identified in the OSHS must be limited to the ceiling value given for the relevant substance in the OSHS, or must not exceed the eight-hour time weighted average limit given for that substance in the OSHS, as the case may be.

To protect the employees, an employer is required to furnish its workers with protective equipment for the eyes, face, hands, and feet as well as protective shields and barriers, whenever necessary, by reason of the hazardous nature of the process or environment, chemical or radiological or other mechanical irritants or hazards capable of causing injury or impairment in the function of any part of the body through absorption, inhalation, or physical contact. The employer is responsible for ensuring the adequacy and proper maintenance of personal protective equipment used in its workplace.

To ensure compliance with the OSHS, every establishment or place of employment will be inspected at least once a year. Special inspection visits may be authorized by the Regional Labor Office to investigate accidents, occupational illnesses or dangerous occurrences, especially those resulting in permanent total disability or death, to conduct surveys of working conditions for the purpose of evaluating and assessing environmental contaminants and physical conditions, or to conduct investigations, inspections or follow-up inspections upon request of an employer, worker or a labor union of the establishment.

Any violation of the provisions of the OSHS will be subject to the applicable penalties provided under Department of Labor and Employment Department Order No. 198-18 and imposable upon any employer, contractor, or subcontractor who willfully fails or refuses to comply with the OSHS standards or a compliance order issued by the Secretary of Labor and Employment or his/her authorized representative.

Depending on the size of the workforce and the nature of the work place as either hazardous or non-hazardous, an employer is obliged to provide certain free medical and dental attendance and facilities. For large-scale industries with workers of 200 to 600, the employer is required to provide the services of a part-time occupational health physician and a part-time dentist, each of whom is required to stay on the premises of the workplace at least four hours a day, six times a week, and each working in alternate periods. It is also required to provide the services of a full-time occupational health nurse and a full-time first aider. The employer must further maintain an emergency clinic, unless there is a hospital or dental clinic within 25 minutes of travel, and ensure that it has facilities readily available for transporting its workers to the hospital or clinic in case of an emergency.

Under the OSHS, every place of employment is required to have a health and safety committee. Further, the employer has the duty to write administrative policies on safety in conformity with OSHS. It must provide to DOLE copies of the policies adopted and the health and safety organization established to carry out the program on safety and health within one month after the organization or reorganization of the health and safety committee.

Moreover, Republic Act No. 7877 makes it the duty of every employer to create a committee on decorum and investigation of sexual harassment cases. Such committee must be composed of at least one representative each from management, the union, the employees from the supervisory rank, and the rank-and-file employees. In addition, it is likewise the duty of the employer to promulgate rules and regulations prescribing the procedure for the investigation of sexual harassment cases and the administrative sanctions therefor, which rules must be formulated in consultation with, and approved by, the employees.

Other Labor-Related Laws and Regulations

Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work, or service within a definite or predetermined period, regardless of whether such job, work, or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work, or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the DOLE issued DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, as Amended ("**D.O. No 174-17**"), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangements by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to an arrangement where the contractor or subcontractor merely recruits, supplies, or places workers to perform a job or work for a principal, and the contractor or subcontractor does not have substantial capital, or the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. D.O. No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

D.O. No. 174-17 provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislation, to the extent of the work performed under the employment contract.

On May 2, 2018, President Rodrigo Duterte signed Executive Order No. 51, reiterating the prohibition of the practice of illegal contracting or subcontracting in the country. The executive order aims to protect the worker's right to security of tenure, self-organization, and collective bargaining and peaceful concerted activities.

Employment of Foreign Nationals

Under Department Order No. 186, Series of 2017 ("**D.O. No. 186-17**"), issued by the DOLE, all foreign nationals who intend to engage in gainful employment in the Philippines shall apply for an Alien Employment Permit ("**AEP**"). However, D.O. No. 186-17 clarifies that an AEP is not an exclusive authority for a foreign national to work in the Philippines. It is just one of the requirements in the issuance of a work visa (9g) to legally engage in gainful employment in the country. The foreign national must obtain the required special temporary permit from the Professional Regulation Commission in case the employment involves practice of profession and Authority to Employ Alien from the Department of Justice where the employment is in a nationalized or partially nationalized industry, as well as from the Department of Environment and Natural Resources in case of employment in a mining company. D.O. No. 186-17 also provides for the list of foreign nationals who are exempt and excluded from securing an AEP.

Under D.O. No. 186-17, the Regional Director shall impose a fine of ₱10,000.00 for every year or a fraction thereof to foreign nationals found working without a valid AEP. Employers found employing foreign nationals without a valid AEP shall also pay a fine of ₱10,000.00 for every year or a fraction thereof. Further, an employer who is found to have failed to pay the penalty provided under D.O. No. 186-2017 shall not be allowed to employ any foreign national for any position in the employer's company.

DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarity liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel. All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

ENVIRONMENTAL LAWS

Environmental Impact Statement System

Real estate development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("**ECC**") prior to commencement. DENR, through its regional offices or through the Philippine Environmental Management Bureau ("**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("**EIS**") to the EMB. A project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("**IEE**") to the proper DENR regional office.

The issuance of an ECC is a government certification that the proposed project or undertaking will not cause a significant negative environmental impact, that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("**EMF**") when an ECC is eventually issued. In any case, the establishment of an EMF must not be later than the initial construction phase of the project. The EMF shall be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules, and regulations.

Aside from the EIS and IEE, engineering geological and geo-hazard assessments are also required for ECC applications covering subdivisions, housing and other land development and infrastructure projects.

Philippine Clean Air Act

Republic Act No. 8749, also known as the Philippine Clean Air Act of 1999 (the "**Clean Air Act**") provides for specific emission standards for stationary sources of air pollution, for motor vehicles, and other sources. It also sets specifications for fuel and fuel-related substances; bans incineration; provides for phasing-out of ozone-depleting substances; reduction and elimination of greenhouse gas emissions and persistent organic pollutants; and proper handling of radioactive emissions. To implement the foregoing, the Clean Air Act requires establishments with machinery or equipment that are sources of regulated air pollutants to obtain a permit to operate from the EMB. This permit is valid for one year, renewable at least 30 days prior to its expiration date. The permits issued by DENR shall state the limitations for regulated air pollutants to achieve and maintain air quality standards.

Philippine Clean Water Act

Republic Act No. 9275, also known as the Philippine Clean Water Act of 2004 (the "**Clean Water Act**") applies to water quality management in all bodies of water.

DENR implements a wastewater charge system in all management areas. DENR requires owners or operators of facilities that discharge regulated effluents to secure a permit to discharge. This permit for the discharge of effluents shall state the quality and quantity of effluent that the facilities are allowed to discharge into a particular body of water, compliance schedule and monitoring requirement.

The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. In addition, they have the right to (a) enter any premises or have access to documents and relevant materials; (b) inspect any pollution or waste source, control device, monitoring equipment or method required; and (c) test any discharge. If there is fish kill, the Department of Agriculture may also enter the establishment reported to have caused the incident.

Toxic Substances and Hazardous and Nuclear Wastes Control Act

DENR, through its authority granted by Republic Act No. 6969, or the Toxic Substances and Hazardous and Nuclear Wastes Act, is mandated to regulate, restrict or prohibit the importation, manufacture, processing, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk and/or injury to health or the environment. Entities that generate or produce hazardous wastes must register as Hazardous Waste Generators with the EMB Regional Office having jurisdiction over the location of the waste generator and submit quarterly reports to DENR specifying the type and quantity of hazardous waste generated, produced or transported outside, and such other information as may be required.

DATA PRIVACY LAWS

Data Privacy Act

The Philippines government enacted legislation with the aim to protect the fundamental human right to privacy while ensuring the free flow of information. Republic Act No. 10173, or the "Data Privacy Act of 2012,"applies to processing of all types of information, whether that be of individuals or legal entities, except for publicly available information, or those required for public functions. The law provides that when an entity collects personal data, the purpose and extent of processing of such information collected must be legitimate and declared specifically to the owner of the personal information (i.e. whether such information will be used for marketing, data-sharing and the like), and that consent must be obtained from the owner. This requirement applies to all data collectors and data processors. The term data collector refers to a natural or juridical person who controls or supervises the person collecting, storing, or processing the relevant personal information, while the term data processors refers to a natural or juridical person who processes the information, whether or not outsourced by the data collector.

Personal information that is collected must be retained only for a reasonable period of time. Such a reasonable period of time is the reasonable amount of time the collector needs the information for its purposes, and the collector must notify the owner of the personal information of that duration. The data collector must implement appropriate measures for the storage and protection of the collected personal information from accidental alteration, destruction, disclosure and unlawful processing. Furthermore, the data controller must assign compliance officer(s) to ensure compliance with the provisions of the data privacy law and its accompanying implementing rules and regulations.

ANTITRUST LAWS

Philippine Competition Act

Republic Act No. 10667 or the Philippine Competition Act (the "**PCA**") came into effect August 5, 2015 and is the primary competition law in the Philippines. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial activities. This law created the Philippine Competition Commission (the "**PCC**") which is tasked with the implementation of the PCA and regulating, among others things, the conduct of business entities in the market as well as mergers and acquisitions. The PCA prohibits and imposes sanctions on:

(a) Anti-competitive agreements between or amongst competitors that restrict competition as to price or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;

(b) Practices which are regarded as abuse of dominant position by engaging in conduct that would substantially prevent, restrict or lessen competition; and

(c) Mergers or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services.

A dominant market position is presumed by law if an enterprise has at least 50% of the relevant market.

Moreover, the parties to a merger, acquisition or joint venture are required to comply with the compulsory notification requirements of the PCC before consummating the transaction if specified thresholds set out under the PCA and its implementing rules are met. An agreement consummated in violation of the compulsory notification requirement shall be considered void, and shall subject the parties to an administrative fine of 1% to 5% of the value of the transaction.

Further, penalties for violation of the law consist of administrative fines which can be as high as ₱100 million for the first offense and ₱250 million for the second offense. The law also grants private parties who suffer damages as a result of a violation the right to file an action for damages against the violating parties. Violators of the provisions on price fixing and bid rigging between and among competitors are subject to criminal liability in addition to the administrative and civil liabilities provided thereunder.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board undertakes the overall management and supervision of our Company by setting our goals, strategies and policies, and regularly monitoring their effectiveness and implementation. Our executive officers and management team support the Board by preparing appropriate information and documents concerning our business operations, financial condition, and results of operations for its review.

The Board and Senior Management

The Board consists of seven members, three of whom are independent Directors. The independent Directors, Mr. Simeon S. Cua, Mr. Omar T. Cruz, and Mr. Enrico S. Cruz, were elected at special shareholders' meetings held on April 4, 2019 and February 5, 2020. The position of Mr. O. Cruz became effective on April 12, 2019, while that of Mr. E. Cruz became effective on February 5, 2020. The Directors shall serve for one year from date of election until their successors are elected and qualified.

The following table sets out certain information regarding the members of the Board and our executive management. All members of the Board and executive officers listed below are citizens of the Philippines.

Name	Age	Position
Jose Emmanuel H. Jalandoni	52	Director and Chairman
Carol T. Mills	47	Director, President and Chief Executive Officer
Augusto D. Bengzon	56	Director and Treasurer
Bernard Vincent O. Dy	55	Director
Omar T. Cruz	65	Lead Independent Director
Simeon S. Cua	62	Independent Director
Enrico S. Cruz	62	Independent Director
Elaine Marie F. Alzona	41	Chief Finance Officer and Chief Compliance Officer
Solomon M. Hermosura	57	Corporate Secretary
June Vee D. Monteclaro-Navarro	48	Assistant Corporate Secretary
Nimfa Ambrosia L. Perez-Paras	54	Assistant Corporate Secretary
Michael Anthony L. Garcia	40	Investor Relations Officer
Amelia Ann T. Alipao	57	Data Protection Officer

Our senior management team is comprised of experienced and committed professional with over 80 years of accumulated experience in the Philippine real estate industry. The business experience for the past five years of each of our Directors and executive officers is set out below.

Jose Emmanuel H. Jalandoni, *Director & Chairman*

Mr. Jose Emmanuel H. Jalandoni is the Chairman, as well as a Director of our Company. In addition to his post as Director, Mr. Jalandoni is also a Senior Vice President for Ayala Land, acting as the group head of commercial malls, offices, and hotels and resorts. He also holds posts in a number of other companies, including ALI Capital Corp. (*Chairman*); ALI Commercial Center Inc. (*Chairman*); ALI Makati Hotel and Residences, Inc. (*Chairman*); ALI Makati Hotel Property, Inc. (*Chairman*); ALI Triangle Hotel Ventures, Inc. (*Chairman*); Arca South Integrated Terminal, Inc. (*Director*); ARCASouth Hotel Ventures, Inc. (*Chairman*); Ayala Hotels, Inc. (*Chairman*); AyalaLand Hotels and Resorts Corp. (*Chairman*); AyalaLand Medical Facilities Leasing, Inc. (*Chairman*); AyalaLand Offices, Inc. (*Chairman*); Bay Area Hotel Ventures, Inc. (*Chairman*); Bonifacio Hotel Ventures, Inc. (*Chairman*); Capitol Central Hotel Ventures, Inc. (*Chairman*); Cebu Insular Hotel Company, Inc. (*Chairman*); Central Bloc Hotel Ventures, Inc. (*Chairman*); Circuit Makati Hotel Ventures, Inc. (*Chairman*); DirectPower Services, Inc. (*Chairman*);

Ecoholdings Company, Inc. (Director); Econorth Resort Ventures, Inc. (*Chairman*); Ecosouth Hotel Ventures, Inc. (*Chairman*); Enjay Hotels, Inc. (*Chairman*); Greenhaven Property Ventures Inc. (*Chairman*); Integrated Eco-Resort Inc. (*Chairman*); Makati North Hotel Ventures, Inc. (*Chairman*); North Triangle Hotel Ventures, Inc. (*Chairman*); Northgate Hotel Ventures, Inc. (*Chairman*); One Makati Hotel Ventures, Inc. (*Chairman*); One Makati Residential Ventures, Inc. (*Chairman*); Orion Land, Inc. (*Chairman*); AyalaLand Logistics Holding Corp. (*Chairman*); Sentera Hotel Ventures, Inc. (*Chairman*); Sicogon Island Tourism Estate Corp. (*Chairman*); Soltea Commercial Corp. (*Chairman*); Southcrest Hotel Ventures, Inc. (*Chairman*); Tutuban Properties, Inc (*Chairman*); Whiteknight Holdings, Inc. (*Chairman*); ALINet.Com, Inc. (*Chairman and President*); Accendo Commercial Corp. (*Director*); Alabang Commercial Corporation (*Director*); ALI Eton Property Development Corp. (*Director*); AyaGold Retailers, Inc. (*Director*); Ayala Property Management Corp. (*Director*); Bacuit Bay Development Corp. (*Director*); Berkshires Holdings, Inc. (*Director*); Bonifacio Land Corporation (*Director*); Cagayan de Oro Gateway Corp (*Director*).; Cebu Holdings, Inc. (*Director*); Chirica Resorts Corporation (*Director*); Columbus Holdings, Inc. (*Director*); Emerging City Holdings, Inc. (*Director*); Fort Bonifacio Development Corp. (*Director*); Lio Resort Ventures, Inc. (*Director*); Lio Tourism Estate Management Corp. (*Director*); Makati Cornerstone Leasing Corp. (*Director*); Makati Development Corporation (*Director*); North Eastern Commercial Corp. (*Director*); North Liberty Resort Ventures, Inc (*Director*); Pangulasian Island Resort Corp. (*Director*); Paragua Eco-Resort Ventures, Inc. (*Director*); Philippine Integrated Energy Solutions, Inc. (*Director*); Regent Horizons Conservation Co., Inc (*Director*); Sicogon Town Hotel, Inc. (*Director*); Station Square East Commercial Corp. (*Director*); Ten Knots Development Corp. (*Director*); and Ten Knots Phils., Inc. (*Director*).

Prior to his current roles, he acted as a Treasury Officer and a Special Project Manager for Ayala Land. He holds a Bachelor of Science in Legal Management from Ateneo de Manila University and a Master's in Business Administration from the Asian Institute of Management.

Carol T. Mills, *Director, President & Chief Executive Officer*

Ms. Carol T. Mills is the President and Chief Executive Officer of our Company as well as a Director. She also now serves as President of AyalaLand Offices and has also served as a Vice President for Ayala Land since 2016. Ms. Mills currently serves as the president or chairman of a number of other institutions, including First Gateway Real Estate Corporation, UP North Property Holdings, Inc., Hillsford Property Corp., Glensworth Development Corp., Sunnyfield E-Office Corp., North Eastern Commercial Corp., ALO Prime Realty Corp., Makati Cornerstone Leasing Corp., and Tower One and Exchange Plaza Condominium Corp. She also acts as a director for a number of companies, including Ayalaland Commercial REIT, Inc., ALI Capital Corp., DirectPower Services, Inc., Whiteknight Holding, Inc., and Ayala Land and Medical Facilities, Inc. In addition, she holds the post of Vice Chairman and President of Central Bloc Developers, Inc. Ms. Mills holds a Bachelor of Science degree in Business Administration from the University of the Philippines as well as a Master of Business Administration degree from Dartmouth College in the United States.

Augusto D. Bengzon, *Director and Treasurer*

Mr. Augusto D. Bengzon is a Director and the Treasurer of our Company. He is also and has been since 2017 the Chief Finance Officer and Treasurer of Ayala Land. Mr. Bengzon also holds positions in a number of different companies, including AG Counselors Corporation (*Director*); Alabang Commercial Corporation (*Director*); AKL Properties Inc. (*Treasurer*); ALI Eton Property Development Corporation (*Director and Treasurer*); Alinet.com Inc. (*Director*); Alviera Country Club, Inc. (*Director*); Alveo Land Corp. (*Director*); Amaia Land Corp. (*Director and Treasurer*); Anvaya Cove Golf and Sports Club, Inc. (*Director, Treasurer, and Compliance Officer*); Aprisa Business Process Solutions, Inc. (*Chairman*); Aurora Properties Incorporated (*Director and Treasurer*); Avida Land Corp. (*Director and Treasurer*); Ayala Greenfield Development Corporation (*Director and Assistant Treasurer*); Ayala Greenfield Golf & Leisure Club, Inc. (*Assistant Treasurer*); Ayala Land, Inc. (*Chief Finance Officer, Treasurer, and Chief Compliance Officer*); Ayala Property Management Corporation (*Director and Treasurer*); Bellavita Land Corp. (*Director and Treasurer*); BGNorth Properties, Inc. (*Director and Treasurer*); BGSouth Properties, Inc. (*Director and Treasurer*); BGWest Properties, Inc. (*Director and Treasurer*); Cebu Holdings, Inc. (*Director and Treasurer*); Ceci Realty Inc. (*Director and Treasurer*); CMPI Holdings, Inc. (*Vice Chairman*); CMPI Land, Inc. (*Director and President*); Ecozone Power Management, Inc. (*Director*); Hero Foundation Incorporated (*Treasurer*); Makati Development Corporation (*Director*); Nuevocentro, Inc. (*Director*); Northgate Hotel Ventures, Inc. (*Director*); Philippine Integrated Energy Solutions, Inc. (*Director and Treasurer*); Portico Land Corp. (*Director*); AyalaLand Logistics Holding Corp. (*Director*); Serendra, Inc. (*Director and Treasurer*); Station Square East Commercial Corp. (*Director*); Southcrest Hotel Ventures, Inc. (*Director*); and Vesta Property Holdings, Inc. (*Director and Treasurer*).

Prior to his present positions, Mr. Bengzon served as a Vice President for Citibank, N.A. Mr. Bengzon obtained his Bachelor of Science in Business Management from Ateneo de Manila University and his Master's in Business Management from the Asian Institute of Management.

Bernard Vincent O. Dy, *Director*

Mr. Bernard Vincent O. Dy is a Director of our Company. He is also presently the President and Chief Executive Officer of Ayala Land. Prior to becoming President and CEO of Ayala Land, Mr. Dy served as the head of each of the Residential Business Group, the Commercial Business Group, and the Human Resources Group of Ayala Land. Prior to joining the Group, Mr. Dy worked for the Fort Bonifacio Development Corp. as its head of Commercial Operations. In addition to his role in our Company and for Ayala Land, Mr. Dy currently holds positions in a number of other companies, including: Accendo Commercial Corp. (*Director and President*); AKL Properties Inc. (*Director*); Alabang Commercial Corporation (*Director and President*); ALI Eton Property Development Corporation (*Director*); Alveo-Federal Land Communities Inc. (*Director*); Alveo Land Corp. (*Chairman*); Alviera Country Club, Inc. (*Chairman*); Amaia Land Corp. (*Chairman*); Amicassa Process Solutions, Inc. (*Director*); Aurora Properties Incorporated (*Vice Chairman*); Avencosouth Corp. (*Chairman*); Aviana Development Corp. (*Chairman*); Avida Land Corp (*Director*); Ayagold Retailers, Inc. (*Chairman*); Ayala Corporation (*Senior Managing Director*); Ayala Foundation, Inc. (*Member*); Ayala Greenfield Development Corporation (*Vice-Chairman*); Ayala Group Club, Inc. (*Member*); Ayala Property Management Corporation (*Chairman*); Ayalaland Medical Facilities Leasing, Inc. (*Director*); Bellavita Land Corporation (*Chairman*); Berkshires Holdings, Inc. (*Director and President*); BGNorth Properties, Inc. (*Chairman*); BGSouth Properties, Inc. (*Chairman*); BGWest Properties, Inc. (*Chairman*); Bonifacio Art Foundation, Inc. (*Member and President*); Bonifacio Land Corporation (*Director, President and Chief Executive Officer*); Cagayan De Oro Gateway Corp. (*Chairman*); Cebu Holdings, Inc. (*Director*); Ceci Realty Inc. (*Director and President*); Columbus Holdings, Inc. (*Director and President*); Emerging City Holdings, Inc. (*Director and President*); Fort Bonifacio Development Corporation (*Director, President and Chief Executive Officer*); Hero Foundation Incorporated (*Member and President*); Makati Development Corporation (*Chairman*); Nuevocentro, Inc. (*Director*); Philippine Integrated Energy Solutions, Inc. (*Chairman*); Portico Land Corp. (*Chairman*); AyalaLand Logistics Holding Corp. (*Director*); Serendra, Inc. (*Director*); Station Square East Commercial Corporation (*Chairman*); Vesta Property Holdings, Inc. (*Chairman*); Whiteknight Holdings Inc. (*Director*).

Mr. Dy holds a B.B.A. in Accountancy from the University of Notre Dame, a M.B.A. from the University of Chicago, and an M.A. in International Relations from the University of Chicago.

Omar T. Cruz, *Lead Independent Director*

Mr. Omar T. Cruz is the Lead Independent Director of our Company. He also serves as the Chief Bancassurance Executive of the Insular Life Assurance Co., Ltd.; as a trustee for the Financial Executives Institute of the Philippines; as a trustee and Board Executive Committee Member for the University of Asia and the Pacific; as a trustee and Board Executive Committee Member for the Center for Research and Communication Foundation, Inc.; as a trustee for De La Salle University; as the Chairman of the Investment Committee for De La Salle Philippines; as a trustee for the Philippine National Police Foundation; and as a member of the Credit Information Bureau, Inc. Previously Mr. Cruz has served as the Chairman of the International Treasury Committee of the International Association of Financial

Executives Institution; as a senior advisor to Prudential Corporation Asia (HK); and as President and CEO of BPI-Philam Life Assurance Corp. He has also previous served as a director for numerous entities, including Philamlife Company, BPI Philam Life Assurance Corporation, Ayala FGU Condominium Corporation, Rufino Towers Condominium Corporation, Philamlife Asset Management, Inc., and Tower Club. Mr. Cruz has also worked for the Government, acting as Treasurer of the Philippines from 2005 to 2007. Mr. Cruz holds a Bachelor of Science in Industrial Management Engineering (minor in Mechanical Engineering) from De La Salle University. He also achieved his Masters in Industrial Economics from the Center for Research and Communication at the University of Asia and the Pacific.

Simeon S. Cua, *Independent Director*

Mr. Simeon S. Cua is an independent director of our Company. In addition to his role as an independent Director, he serves as Chairman of Santi Village Development, Inc.; President and Chief Executive Officer of Philippine Racing Club, Inc.; President and Chief Executive Officer of Cualoping Securities Corp.; President of Philippine Newton Global Solutions, Inc.; President of Palm Integrated Commodities, Inc.; Vice President and Treasurer of Greater Buhangin Housing Development, Inc.; and Chief Finance Officer of Davao Newton Development, Inc. He is also a director of PRCI Circuit Makati, Inc., Davao Samal Golden Village, Inc., and Sta. Lucia Land, Inc. Mr. Cua has a Bachelor of Science as well as a Bachelor of Laws from Ateneo de Manila University.

Enrico S. Cruz, *Independent Director*

Mr. Enrico S. Cruz is an independent director of our Company. Mr. Cruz also serves as Independent Director for Security Bank and Maxicare Healthcare Corporation. He previously served as the Chief Country Officer, and Global Markets Head of Deutsche Bank AG Manila Branch, and Senior Vice President of CityTrust Banking Corporation. Mr. Cruz obtained his Bachelor of Science in Business Economics, as well as his Master in Business Administration from the University of the Philippines.

Elaine Marie F. Alzona, *Chief Finance Officer & Chief Compliance Officer*

Ms. Elaine Marie F. Alzona is the Chief Finance Officer and Chief Compliance Officer of our Company. In addition to this position, Ms. Alzona is the Chief Finance Officer of Hotels for Ayalaland Hotels and Resorts Corp., a position she has filled since 2010. As of the date of this REIT Plan, Ms. Alzona is a director for the following companies: Ayalaland Hotels and Resorts Corp., Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., Ecosouth Hotel Ventures, Inc., Sentera Hotel Ventures, Inc., North Triangle Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Cebu Insular Hotel Co, Inc., Econorth Resort Ventures, Inc., Makati North Hotel Ventures, Inc., Circuit Makati Hotel Ventures, Inc., Central Bloc Hotel Ventures, Inc., Arca South Hotel Ventures, Inc., Bay Area Hotel Ventures, Inc., One Makati Hotel Ventures, Inc., One Makati Residential Ventures, Inc., Asiatown Hotel Ventures, Inc., ALI Triangle Hotel Ventures, Inc., Enjay Hotels, Inc., Greenhaven Property Ventures, Inc., ALI Makati Hotel Property, Inc., ALI Makati Hotel and Residences, Inc., Makati Hotel and Residences Condominium Corporation. In the past, she has acted as director, Chief Finance Officer, and treasurer for both Ayala Hotels, Inc. and Sicogon Town Hotel, Inc. Ms. Alzona is qualified as a Certified Public Accountant. She holds a B.S. in Business Administration and Accountancy from the University of the Philippines (Diliman) as well as a Master in Business Administration from the Asian Institute of Management.

Solomon M. Hermosura, *Corporate Secretary*

Mr. Solomon M. Hermosura is the Company's Corporate Secretary. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, Chief Legal Officer, Chief Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as the Corporate Secretary and Group General Counsel of Ayala Land, Inc., and Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated

Micro-Electronics, Inc., AC Energy Philippines, Inc., and Ayala Foundation, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. He is currently a member of the faculty of the College of Law of San Beda University. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

June Vee D. Monteclaro-Navarro, *Assistant Corporate Secretary*

Ms. June Vee Navarro is an Assistant Corporate Secretary of our Company. Ms. Navarro also presently holds the role of director of AG Counselors Corporation and General Counsel of Ayala Land. In addition, Ms. Navarro currently acts as the Corporate Secretary of the following companies: AG Counselors Corporation, AKL Properties, Inc., ALI-Eton Property Development Corp., Alveo Land Corp., Avida Land Corp., Ayala Land, Cebu Holdings, Inc. and AyalaLand Logistics Holding Corp. Prior to holding these current positions, Ms. Navarro acted as a legal officer of Ayala Land. She also held the position of associate and later senior associate at Sycip Salazar Hernandez and Gatmaitan Law Offices. She graduated from the University of Saint La Salle in 1993 with a Bachelor of Arts in Economics and a Bachelor of Science in Data Processing. Subsequently, Ms. Navarro received a Bachelor of Laws from the University of the Philippines in 1997.

Nimfa Ambrosia L. Perez-Paras, *Assistant Corporate Secretary*

Ms. Nimfa Ambrosia L. Perez-Paras is an Assistant Corporate Secretary of our Company. Additionally, she is Senior Counsel and Head of the Corporate Services and Compliance Unit at AG Counselors Corporation, a role she has held since 2014. She is the Assistant Corporate Secretary of Cebu Holdings, Inc. and AyalaLand Logistics Holdings Corp. She handles various corporate secretarial functions for a number of companies within the Group. She was the Assistant Corporate Secretary of Integrated Micro-Electronics, Inc. from April 2014 to April 2015. Prior to joining Ayala Group Legal in February 2014, she was a State Counsel at the Department of Justice. She also worked at the Regional Trial Courts of Makati and Quezon City. In the private sector, she has worked as Legal Counsel for Coca-Cola Bottlers Philippines, Inc., RFM Corporation, and Roasters Philippines, Inc. She graduated from the University of Santo Tomas with a Bachelor of Arts in Economics in 1986. She then secured a Bachelor of Laws from the Manuel L. Quezon School of Law in 1990.

Michael Anthony L. Garcia, *Investor Relations Officer*

Mr. Michael Anthony L. Garcia is the Investor Relations Officer of our Company. Mr. Garcia also presently acts as the Head of Investor Communications and Compliance for Ayala Land, a position he has held for the last five years. Mr. Garcia holds a Master's in Business Administration degree from the Asian Institute of Management.

Amelia Ann T. Alipao, *Data Protection Officer*

Ms. Amelia Ann T. Alipao is the Data Protection Officer of our Company. Ms. Alipao is presently a member of the ALI Bidding Committee of Ayala Land and acts as the Chief Information Officer and Data Protection Officer of Ayala Land. She also holds the position of Vice President at Aprisa Business Process Solutions, Inc., a subsidiary of Ayala Land, and Ka-USAP Inc. Prior to holding these current positions, Ms. Alipao was the head of the Business Information System and Processing Division and the Chairman and Vice Chairman of the ALI Bidding Committee for Ayala Land. She has also acted as an account manager of SAP Philippines and Magnus Philippines. Additionally, she was the Assistant Vice President – SAP Director of Coca Cola Bottlers, Inc. Ms. Alipao obtained a Bachelor of Arts in Biology and a Bachelor of Commerce in Business Management from De La Salle University Manila in 1985.

Family Relationships

There are no family relationships either by consanguinity or affinity up to the fourth civil degree among our Directors, executive officers, and shareholders.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

To the best of our knowledge and belief and after due inquiry, none of the Directors, nominees for election as Director, or executive officers of our Company have in the five-year period prior to the date of this REIT Plan been convicted judicially or administratively of an offense or judicially declared insolvent, spendthrift, or incapacitate to contract.

Corporate Governance

We adopted the Manual to ensure our compliance with the leading practices on good corporate governance and related SEC rules and regulations. The Manual was approved and adopted by the Board on March 25, 2019.

The Manual features the following provisions:

- *Protection of investors.* The Manual provides for shareholders' rights and protection, investor relations, rights to dividends, and provisions on transparency and accountability.

- *Board of directors and management*. The detailed duties, functions, and responsibilities of the Board, the Directors, and executive officers are also enumerated in the Manual.

- *Checks and balances.* The Manual contains the vision, strategic objectives, key policies, procedure for the management of our Company, governance policy on conflict of interest, the audit and compliance system, and mechanisms for monitoring and evaluating management's performance.

- *Compliance with the Manual.* The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.

- *Creation of committees.* The Manual mandates the creation of the Executive Committee, the Corporate Governance and Nomination Committee, the Personnel and Compensation Committee, the Audit Committee, the Risk Oversight Committee, the Related Party Transactions Review Committee, the Proxy Validation Committee, and the Sustainability Committee to ensure the performance of certain important functions of the Board and management.

To ensure compliance by the corporation, its officers and directors of the Manual, among others, the Compliance Officer is tasked to monitor, review, and evaluate the same. Violations are likewise reported to the Board and the Compliance Officer shall recommend the imposition of appropriate disciplinary action or penalty after following due process.

The Manual shall also be subject to quarterly review and the Board shall also exert its best effort to ensure a high standard of best practice for the Corporation. The review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

A copy of the Manual containing the foregoing provisions was submitted to the SEC together with the registration statement filed with respect to the Offer Shares.

Independent Directors

The Code of Corporate Governance for Publicly-Listed Companies requires our Company to have at least three independent directors on its Board, or such number as to constitute at least one-third of the members of the Board, whichever is higher. The Company's Board is composed of seven members, four of whom are regular Directors and three of whom are independent Directors. The Company's current independent Directors are Mr. Omar T. Cruz, Mr. Simeon S. Cua, and Mr. Enrico S. Cruz.

Mr. O. Cruz acts as the lead independent Director. The functions of the lead independent Director include, among other things:

i. serving as an intermediary between the chairman of the Board and other Directors, when necessary;

ii. convening and chairing meetings of the non-executive Directors; and

iii. contributing to the performance evaluation of the chairman of the Board, as required.

Independent Directors must hold no interest or relationship with the Company that may hinder their independence from the Company or its management, or which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. The Board may, to promote transparency, require the presence of at least one independent Director at all of its meetings.

Compliance Officer

The Compliance Officer designated by Board shall hold the rank of at least Senior Vice President or its equivalent position with adequate stature and authority in our Company, shall not be a member of the Board and shall annually attend a training on corporate governance. He or she shall report directly to the Board. He or she shall have the following duties and responsibilities:

- Ensure proper onboarding of new directors (i.e. orientation on the Company's business, charter, Organizational Documents, among others);

- Monitor, review, evaluate, and ensure the compliance by our Company, its officers and Directors with the relevant laws, rules and regulations, and all governance issuances of regulatory agencies;

- Report to the Board if violations are found and recommend the imposition of appropriate disciplinary action;

- Ensure the integrity and accuracy of all documentary submissions to regulators;

- Appear before the SEC when summoned in relation to compliance with the provisions and requirements of the Manual that need to be clarified by the same;

- Collaborate with other departments to properly address compliance issues, which may be subject to investigation;

- Issue the Integrated Annual Corporate Governance Report that is duly signed by (1) the Chairman of the Board, (2) the Chief Executive Officer or the President, (3) all of the independent Directors, and (4) the Corporate Secretary;

- Issue a Consolidated Changes in the Annual Corporate Governance Report that is duly approved by the Board yearly;

- Identify possible areas of compliance issues and works towards the resolution of the same;
- Ensure the attendance of Board members and key officers to relevant trainings;
- Operationalize the Manual, and monitor compliance with the provisions and requirements of the Manual;
- Recommend the penalties for violations of the Manual, for further review and approval of the Board;
- Determine violation(s) of the Manual and recommend appropriate penalties for violation thereof for further review and approval of the Board and the adoption of measures to prevent a repetition of the violation(s);
- Issue a certification every January 30th of the year on the extent of the Company's compliance with the Manual for the completed year, explaining the reason or reasons for any deviation from compliance;
- Provide the SEC at the end of every fiscal year with a sworn certification that the requirement for independent Directors and their attendance at meetings has been complied with. The said certification may be submitted with the Corporation's current report (SEC Form 17-1) or on a separate filing;
- Identify, monitor, and control compliance risks; and
- Perform such other duties and responsibilities as may be provided by the SEC.

Elaine Marie F. Alzona, the Chief Finance Officer of our Company, will serve as our Chief Compliance Officer to ensure that we comply with the above-listed duties and responsibilities.

Resolving Stockholders' Disputes

Shareholders who have matters for discussion or concerns directly resulting to the business of our Company may initially elevate such matters or concerns to our Company's: (a) Corporate Secretary; (b) Investor Relations Officer; (c) executive management; or (d) Board.

Committees of the Board

Pursuant to our Manual, the Board shall create each of the following committees. Each member of the respective committees named below will immediately assume office upon approval by the SEC of our application to register the Offer Shares and will serve until a successor shall have been elected and appointed. All established committees are required to have Committee Charters, stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters provide the standards for evaluating the performance of each committee and fully disclosed on the Corporation's website.

Executive Committee

Our Executive Committee shall, according to the authority granted by the Board or during the absence of the Board, act on specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee under our Company's By-Laws, except with respect to: 1) approval of any action for which shareholders' approval is also required; 2) the filling of vacancies on the Board or the Executive Committee; 3) the amendment or repeal of By-Laws or the adoption of new By-laws; 4) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; 5) the distribution of cash dividends; and 6) the exercise of powers delegated by the Board exclusively to other committees, if any. Our Executive Committee shall be composed of at least three members but not more than five members, one-third of whom shall be independent directors. The Board shall designate one of such members as Chairman of the Executive Committee. A majority of the members of the Executive Committee shall be members of the Board of Directors. The Board may, from time to time, increase the membership of the Executive Committee, and appoint additional members therein, who may or may not be Directors. The appointments of the members of the Executive Committee will take effect immediately upon the issuance by the SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our Executive Committee shall comprise Mr. Jose Emmanuel H. Jalandoni, Ms. Carol T. Mills, and Mr. Simeon S. Cua, with Mr. Jalandoni serving as Chairman.

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee shall be composed of at least three members, all of whom should be independent Directors. The Board shall designate the Chairman of the Committee who must be an independent director.

The Committee shall have the following functions:

- Oversee the implementation of the Corporate Governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity, and business strategy, as well as its business and regulatory environments;

- Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conduct an annual self-evaluation of its performance;

- Ensure that the results of the Board evaluation are shared, discussed, and that concrete plans are developed and implemented to address identified areas for improvement;

- Recommend continuing education/training programs for Directors, assignment of tasks, projects to Board committees, succession planning for the Board members and senior officers;

- Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;

- Propose and plan relevant trainings for the members of the Board;

- Determine the qualifications for the Directors, ensuring that the Directors' qualifications are compliant with those set for the Organizational Documents;

- Determine the nomination and election process for the Directors and define the general profile of Board members that the Company may need and ensuring appropriate knowledge, competencies, and expertise that complement the existing skills of the Board;

- Establish a formal and transparent procedure to develop a policy for determining the remuneration of Directors and officers that is consistent with our Company's culture and strategy as well as the business environment in which it operates;

- Establish and maintain a process to ensure that all candidates/nominees for election as Directors at the annual shareholders meeting are qualified in accordance with our Organizational Documents, the Manual, and relevant laws, rules, and regulations and possess none of the disqualifications stated in the Revised Code of Corporate Governance; and Corporate Governance Code for Publicly-Listed Companies;

- Encourage the selection of a mix of competent Directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. In the selection of candidates, the objectives set by the Board regarding its composition are to be seriously considered, as well as the required knowledge, abilities and experience needed to successfully manage the Company. Careful attention must be given to ensure that there is independence and diversity, and appropriate representation of women in the Board, subject to the possession of the knowledge, abilities and experience determined by the Board as necessary for the Board to properly perform its functions;

- Review and evaluate the qualifications of persons nominated to positions in the Company which require appointment by the Board, and provide guidance and advice as necessary for the appointments of persons nominated to other positions;

- Review and disclose succession plans for members of the Board and senior officers to the President/CEO;

- Provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for Directors, officers, or advisors; and

- Discharge any other duties and responsibilities delegated to the Committee by the Board from time to time.

The appointments of the members of the Corporate Governance and Nomination Committee will take effect immediately upon the issuance by the SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our Corporate Governance and Nomination Committee shall comprise Mr. Enrico S. Cruz, Mr. Omar T. Cruz, and Mr. Simeon S. Cua, with Mr. O. Cruz serving as Chairman.

Personnel and Compensation Committee

Our Personnel and Compensation Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and our key executives to enable them to run our Company successfully. The Personnel and Compensation Committee must comprise at least three members, all of whom must be independent Directors. The Personnel and Compensation Committee reports directly to the Board. No member of the Personnel and Compensation Committee will act to fix his or her own compensation except for uniform compensation to Directors for their services as a Director.

The appointments of the members of the Personnel and Compensation Committee will take effect immediately upon the issuance by the SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our personnel and compensation committee shall comprise Mr. Enrico S. Cruz, Mr. Omar T. Cruz, and Mr. Simeon S. Cua, with Mr. O. Cruz serving as Chairman.

Audit Committee

Our Audit Committee is composed of three members, a majority of whom shall be independent Directors. An independent Director shall also chair the Audit Committee. The Audit Committee shall promulgate its own charter, for the approval of the Board, which shall set out its purposes, membership, structure, operations, reporting process, resources and other relevant information in accordance with SEC Memorandum Circular No. 4 (2012).

Each member of the Audit Committee shall have an adequate understanding of accounting and auditing principles in general and of our Company's financial management systems and environment in particular.

The Audit Committee is responsible for overseeing our Company's senior management in establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The chart of the Audit Committee shall detail the Audit Committee's responsibility for assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.

The Charter shall also contain the Audit Committee's responsibility for reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

We expect the Audit Committee, through the provision of checks and balances, to bring positive results in supervising and supporting the management of our Company. The appointments of the members of the Audit Committee will take effect immediately upon the issuance by the SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our Audit Committee shall comprise Mr. Omar T. Cruz, Mr. Enrico S. Cruz, and Mr. Augusto D. Bengzon, with Mr. E. Cruz serving as Chairman.

Risk Oversight Committee

The Risk Oversight Committee shall assist the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. The Risk Oversight Committee provides a general evaluation of and assistance in the overall improvement of its risk management, control and governance processes. The Risk Oversight Committee shall, among other things, develop a formal enterprise risk management plan which contains the following information: (1) registry of risks, (2) well-defined risk management goals, objectives and oversight, (3) uniform processes of assessing risks and developing strategies to manage prioritized risks, (4) designing and implementing risk management strategies, and (5) continuing assessments to improve risk strategies, processes and measures. The Risk Oversight Committee is composed of three members, a majority of whom shall be independent Directors. An independent Director shall chair the Risk Oversight Committee.

The appointments of the members of the Risk Oversight Committee will take effect immediately upon the issuance by the SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our Risk Oversight Committee shall comprise Mr. Enrico S. Cruz, Mr. Omar T. Cruz, and Mr. Augusto D. Bengzon, with Mr. O. Cruz serving as Chairman.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee shall consist of three Directors, entirely non-executive, all of whom shall be independent Directors. The Related Party Transactions Review Committee shall evaluate, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified and monitored, and that subsequent changes in relationships with counterparties (from non-related to related, and vice-versa) are captured. The Related Party Transactions Review Committee ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's related party transaction exposures, and policies on conflicts of interest or potential conflicts of interest. The Related Party Transactions Review Committee shall report to the Board on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties.

The appointments of the members of the Related Party Transactions Review Committee will take effect immediately upon the issuance by the SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our Related Party Transactions Review Committee shall comprise Mr. Enrico S. Cruz, Mr. Omar T. Cruz, and Mr. Simeon S. Cua, with Mr. S. Cua serving as Chairman.

Proxy Validation Committee

The Board shall appoint three persons, who need not be stockholders or directors, to act as the Proxy Validation Committee empowered to pass on the validity of proxies. The Committee shall be guided by existing laws, and rules and regulations of the SEC regarding proxies. The term of office of the members shall be fixed by the Board. At least five working days prior to the date of any stockholders' meeting, the Committee shall perform the validation of the proxies submitted by stockholders. The Committee shall only consider proxies submitted not later than seven working days prior to the date of the stockholders' meeting. The Committee shall prepare a summary of the valid and invalidated proxies to be submitted to the Office of the Corporate Secretary, together with the proxies. The Committee shall validate, count, and tabulate the votes cast at the stockholders' meeting and perform such other duties as may be delegated by the Board from time to time. The members of our Proxy Validation Committee shall comprise Ms. June Vee Monteclaro-Navarro, Ms. Nimfa Ambrosia P. Paras, and Ms. Elaine Marie F. Alzona, with Ms. Monteclaro-Navarro serving as Chairman.

Sustainability Committee

The Sustainability Committee is composed of at least three members. The Sustainability Committee shall regularly review its composition, taking into consideration the progressing standard of our Company, and best practices in sustainable development. The Sustainability Committee provides oversight, and identifies and assesses significant social, ethical, and environmental interdependencies that might impact on the long-term business objective of the Company to be recognized as a responsible and sustainable corporation in the property sector.

The appointments of the members of the Sustainability Committee will take effect immediately upon the issuance by the SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our Sustainability Committee shall comprise Ms. Carol T. Mills, Mr. Jose Emmanuel H. Jalandoni, and Ms. Anna Maria M. Gonzales, with Ms. Mills serving as Chairman.

Compensation of Directors and Officers

Compensation

The officers of our Company do not receive any compensation from the Company. The compensation of these officers is paid by our Sponsor.

Name & Position	Year	Salary	Bonus and Other Benefits
• Carol T. Mills • Augusto D. Bengzon • Elaine Marie F. Alzona • Michael Anthony L. Garcia • Aggregate compensation paid to all officers and directors as a group unnamed	FY 2020 (estimated)	₱5,130,756	₱3,013,301
• Jose Emmanuel H. Jalandoni • Carol T. Mills • Augusto T. Bengzon • Elaine Marie F. Alzona • Michael Anthony L. Garcia • Aggregate compensation paid to all officers and directors as a group unnamed	FY 2019	₱5,374,390	₱3,156,388

The executive officers receive salaries, bonuses and other usual benefits that are included in the amounts stated above. The amounts do not include stock options granted by our Sponsor to its executive officers pursuant to the terms of its Employee Stock Ownership Plan.

Standard Arrangements

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

Other Arrangements

There are no other arrangements pursuant to which any of our Directors is compensated, directly or indirectly, for any service provided as a director.

Warrants and Options Outstanding

As of the date of this REIT Plan, there are no outstanding warrants or options in connection with the Company Shares held by any of our Directors or executive officers.

Shareholders

Changes in Issued Capital

Our Company has an authorized capital stock of ₱11,740,000,000.00 divided into 1,174,000,000 common shares with a par value of ₱10.00 per Share, of which 977,792,435 Shares are issued and outstanding and 67,329,970 are held in treasury, as of the date of this REIT Plan. Our Sponsor owns and Controls 100% of our Company with approximately 90% by direct ownership and approximately 10% by beneficial ownership through its Subsidiary, AyalaLand Offices, Inc.

On December 13, 2018, the SEC approved our Company's capital restructuring, which involved an increase in the Company's capital stock and the reclassification of its shares into a single class of common shares. The following table shows the changes in the issued capital of our Company and the resulting percentage of our Sponsor's ownership since our Company's establishment:

Date	Event	Number of Shares authorized	Number of Shares issued and outstanding	Percentage of Sponsor ownership[1]
September 4, 2006	Establishment	900,000	900,000	100%
December 13, 2018	Capital Restructuring	1,174,000,000	977,792,435	100%

Note:

(1) Includes both direct and beneficial ownership.

Shareholders as of the date of this REIT Plan

The following table sets out the Company's shareholders as of the date of this Prospectus. Ayala Land is the Company's single largest shareholder and directly holding 90.15% of its Shares and indirectly, through its wholly-owned Subsidiary AyalaLand Offices, Controlling 100% of the Company.

	Number of Shares held[1]	% of total outstanding Shares
		(%)
Ayala Land, Inc.	881,500,000	90.15
AyalaLand Offices, Inc.	96,292,435	9.85
Total	977,792,435	100.0

Note:

(1) Includes Shares held by nominees.

Selling Shareholder

Upon completion of the Offer (assuming that the Over-allocation Option is fully exercised), the Shareholders and their direct shareholdings are expected to be as set out below:

	Shares owned before Offer[(1)(3)]		Shares owned after Offer[(3)]	
		(%)		(%)
Ayala Land, Inc.	881,500,000	90.2	426,792,293	41.61
AyalaLand Offices, Inc.	96,292,435	9.8	96,292,435	9.39
Public[(2)]	–	–	502,571,700	49.0
Total	977,792,435	100.0	1,025,656,428	100.0

Notes:

(1) As at the date of this REIT Plan.

(2) Comprises both institutional and retail investors.

(3) Includes Shares held by nominees.

Security Ownership of Management and Related Parties as of the Date of this REIT Plan

None of our Directors or executive officers own Shares, other than qualifying shares, directly or indirectly in our Company. In addition, neither our Fund Manager nor our Property Manager (or any of the directors or executive officers of either our Fund Manager or our Property Manager) own shares directly or indirectly in our Company. Ownership in our Company is limited to that indicated in the foregoing table. Each of Ayala Land and AyalaLand Offices hold more than 5% of the Company's Shares as of the date of this REIT Plan.

Voting Trust Holders of 5% or more

We have no knowledge of any person holding more than 5% of shares under a voting trust or similar agreement.

Recent Issuances of Securities Constituting Exempt Transactions by our Company

Not applicable.

Ownership Disputes

As of the date of this REIT Plan, our Company is not experiencing any dispute over the ownership of our Company.

Change in Control

As of the date of this REIT Plan, we do not know of any arrangements that may result in a change in Control of our Company.

RELATED PARTY TRANSACTIONS

Related Party Transactions and the REIT Law

Under the provisions of the REIT Law, a related party is defined to include:

- a director; the chairman of the board of directors, president, chief executive officer, chief operating officer, treasurer, chief financial officer, corporate secretary, vice president, executive vice president, senior vice president, compliance officer, chief accounting officer, chief investment, officer and their equivalent positions, including consultants with similar rank or position; or a stockholder who is, directly or indirectly, the beneficial owner of more than ten percent of any class of the REIT's shares; or an associate of such persons;

- our sponsor or promoter of the REIT, meaning any person who, acting alone or in conjunction with one or more other persons, directly or indirectly, contributes cash or property in establishing the REIT;

- our fund manager of the REIT, meaning any person who manages the functions of the REIT;

- any adviser of the REIT, meaning a lawyer, accountant, auditor, financial or business consultant, and such other persons rendering professional advisory services to the REIT;

- our property manager of the REIT, meaning a professional administrator of real properties who is engaged by the REIT to provide the property management services;

- a director, principal or principal officer of our sponsor/promoter of the REIT, fund manager, property manager, or associate of the any such persons; and

- parent, subsidiary or affiliate to the REIT, our fund manager or our property manager.

Any contract or amendment thereto, between the REIT and any related party, as described above, including contracts for services, shall comply with the following minimum requirements:

- the REIT must fully, fairly, timely, and accurately disclose the identity of the Related Party or Parties, their relationship with the REIT, and other important terms and conditions of the transaction to the PSE and the SEC;

- the contract must be on fair reasonable terms, including the contract price;

- the contract must be approved by the related party transactions committee which is constituted with the sole task of reviewing related party transactions. Majority of its members must be independent directors who shall vote unanimously in approving such related party transaction;

- compliance with SEC Memorandum Circular No. 10 series of 2019 on the Rules on Material Related Party Transactions for Publicly-Listed Companies, or such other relevant regulations that may be issued by the SEC;

- the contract must be accompanied by a fairness opinion by an independent appraiser done in accordance with the valuation methodology prescribed by the SEC, in the case of an acquisition or disposition of real estate assets and property or share swaps or similar transactions; and

- the REIT must also disclose any other matter that may be materially relevant to a prospective investor in deciding whether or not to invest in the REIT.

Related Party Transactions and SEC Regulation

The SEC likewise issued Memorandum Circular No. 10, Series of 2019, which took effect on April 27, 2019 (the "**Circular**"). Under this Circular, related party transactions, either individually or in aggregate over a twelve-month period, amounting to at least 10% of a company's total assets shall be considered as a material related party transaction ("**Material RPT**"). The SEC likewise included in the relevant definition of "related parties" directors, officers, substantial shareholders, and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control or significant influence over the reporting publicly-listed company.

Some of the new and pertinent rules provided in the Circular are as follows:

- newly listed companies shall submit their Material RPT policy within six months from their listing date, which policy must be consistent with the Circular;

- the board of directors shall adopt a group-wide Material RPT policy encompassing all entities within the conglomerate, taking into account its size, structure, risk profile, and complexity of operations;

- the Material RPT policy shall include, at a minimum: identification of related parties, coverage of Material RPT, adjusted thresholds, identification and prevention or management of potential or actual conflicts of interests arising out of or in connection with the Material RPT, guidelines in ensuring arm's length terms, approval of Material RPT, self-assessment and periodic review of policy, disclosure requirements, whistleblowing mechanisms, and remedies for abusive Material RPT;

- the approval of Material RPT shall be by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the Material RPT. If the majority vote of independent directors is not secured, the Material RPT may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock of the company. The same board approval shall be secured for aggregate related party transactions within a twelve-month period that breaches the 10% materiality threshold covering the same related party;

- an Advisement Report on Material RPT shall be submitted to the SEC within three calendar days after the execution date of the transaction; and

- a summary of Material RPT for the reporting year shall be disclosed in the Integrated Annual Corporate Governance Report annually every May 30.

Our Company's Existing Related Party Transactions

In the ordinary course of our business, we engage in a variety of transactions with related parties. Pursuant to the REIT Law, our related parties include our Sponsor, our Fund Manager, our Property Manager, our associates, members of the Group, related parties under common ownership and management, our Shareholders, and key management personnel.

Our policy with respect to transactions with such related parties is to ensure that these transactions are entered into on terms, which are not more favorable to the related party than those generally available to third parties dealing on an arm's length basis, and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving body, as determined by the Board, to ensure that our resources are not misappropriated or misapplied. Our Company has a Related Party Transaction Review Committee which evaluates our ongoing relationships with related parties. Please see the section entitled "Board of Directors and Senior Management – Committees of the Board" in this REIT Plan for more information. If an actual or potential conflict of interest should arise on the part of a Director, the relevant Director is required to make a full disclosure of that actual or potential conflict of interest and must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict. A Director who has a continuing conflict of interest of a material nature must either resign, or if the Board deems appropriate, be removed from the Board.

In addition, our Fund Manager has established procedures for assessing Related Party Transactions. Our Fund Manager's approach with respect to related party transactions is discussed in the section entitled "Our Fund Manager and our Property Manager – Related Party Transactions" in this REIT Plan.

The table below sets out the principal ongoing transactions with our related parties as of March 31, 2020 for the three months period ended:

Related Parties	Nature of Transaction	Value of the Transaction
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One	Varying depending on supply charges computation and adjustments
Ayala Property Management Corporation	Property Management agreements for the facilities management of the Properties	₱43.87 million for Ayala North Exchange, and ₱7.5 million for Solaris One; for the three months period ended March 31, 2020 management fees expense recognized amounted ₱4.25 million
Ayala Land, Inc.	Deed of Assignment over the Ayala North Exchange building, its corresponding permits and licenses, and a construction/ fit-out contract with Makati Development Corporation	₱6,913 million
Ayala Land, Inc.	Deed of Assignment of land-lease agreement of Ayala Land, Inc. with HLC Development Corporation	N/A
Ayala Land, Inc.	Deed of Assignment of Tenant Contracts of Ayala Land, Inc. with various tenants	N/A
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078 per month, subject to annual escalation of 5%
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA of the Company Additional fees: 1% of the acquisition price for every acquisition made 0.50% of the sales price for every property divested

Related Parties	Nature of Transaction	Value of the Transaction
AREIT Property Managers, Inc.	Property Management Agreement for property management services	3% of Gross Rental Income of the Company (as defined in the Property Management Agreement) plus 2% of the EBITDA of the Company
Bay City Commercial Ventures Corp.	Loan covered by a Promissory Note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱427.41 million
ALO Prime Realty Corp.	Memorandum of Agreement for the Acquisition of Teleperformance Cebu	Not applicable
Arvo Commercial Corp.	Loan covered by a Promissory Note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱146.96 million
Central Block Developers, Inc.	Loan covered by a Promissory Note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱316.18 million
HLC Development Corporation	Deed of assignment of land lease agreement of Ayala Land Inc. pertains to land lease of ANE properties; Loan covered by a Promissory note	Total outstanding receivable and payable balance as of March 31, 2020 amounted to ₱120.24 million and ₱22.87 million, respectively
Amaia Land Corp.	Loan covered by Promissory Note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱171.25 million
Soltea Commercial Corp.	Loan covered by Promissory Note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱38.03 million
Crans Montana Property Holdings Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱50.14 million
ALI Triangle Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱41.61 million
Arca South Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱41.87 million
Capitol Central Commercial Ventures Corp	Loans covered by Promissory note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱72.02 million
Leisure and Allied Industries Phils. Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱20.06 million
Ayalaland Logistics Holdings Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱4.99 million

Related Parties	Nature of Transaction	Value of the Transaction
Cebu Holdings, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱5.06 million
Sunnyfield E-Office Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of March 31, 2020 amounted to ₱25.29 million
Alveo Land Corp.	Contract of Lease dated January 5, 2018 for office space in Solaris One (0.76% of total gross leasable area)	₱13.47 million, lease for a period of three (3) years, VAT exclusive
Makati North Hotel Ventures, Inc.	Contract of Lease dated February 6, 2019 (for 100% of the serviced residences portion of Ayala North Exchange)	Fixed – ₱6,315 million plus 5% of Total Hotel Revenues if Total Hotel Revenues exceed ₱500 million or 10% of Total Hotel Revenues if Total Hotel Revenues exceed ₱1 billion, starting on Year 6 of the contract; Total outstanding receivable balance as of March 31, 2020 amounted to ₱2.31 billion
Bank of the Philippine Islands	Contract of Lease dated November 28, 2016 (0.23% of total gross leasable area in Solaris One)	₱12.13 million, lease for a period of five (5) years, VAT exclusive
Bank of the Philippine Islands	Contract of Lease dated April 30, 2019 (10.5% of total gross leasable area in Ayala North Exchange)	₱576.19 million, lease for a period of five (5) years, VAT exclusive
First Gateway Real Estate Corp.	Contract of Lease dated May 29, 2019 (1.6% of total gross leasable area of Ayala North Exchange)	₱73.50 million, lease for a period of seven (7) years, VAT exclusive; Total outstanding balance as of March 31, 2020 amounted to ₱8.43 million

In total, our Company is in a net lending position from our Related Party Transactions. For more information, see the notes to our audited financial statements attached to this REIT Plan.

Our Board and the RPT Committee, based on their experience, expertise, and knowledge of similar contracts in the industry, believe that the above-listed transactions were made on an arm's length basis at prevailing market rates, on normal commercial terms, and in accordance with our Company's and our Fund Manager's policies toward related party transactions.

Future Related Party Transactions

As a REIT listed on the PSE, our Company will be regulated by the rules and regulations of the SEC as well as the Listing Rules and other regulations of the PSE. These rules and regulations, along with the REIT Law, regulate transactions entered into by our Company with Related Parties with respect to our Company's acquisition of assets from or sale of assets to a Related Party, our Company's investment in securities of or issued by a Related Party, and the engagement of a Related Party as a property management agent or marketing agent for our Company's properties. Depending on the materiality of transactions entered into by our Company for the acquisition of assets from the sale of assets to or the investment in securities of or issued by, a Related Party, the rules described above may require our Company to announce such a transaction to the SEC and the PSE and may also require the approval of the Shareholders to be obtained.

Subject to compliance with the applicable requirements, our Company will not be prohibited by the rules of the SEC, the PSE, or the REIT Law from contracting or entering into any financial, banking, or any other type of transaction with a Related Party or from being interested in any such contract or transaction, provided that any such transaction shall be on normal, arm's-length commercial terms and is not prejudicial to the interests of our Company and the Shareholders. Please see the section entitled "Our Fund Manager and our Property Manager – Related Party Transactions" in this REIT Plan. One such future Related Party Transaction will be our acquisition of Teleperformance Cebu from APRC, a wholly-owned Subsidiary of Ayala Land, or an alternative property from our Sponsor, or any of Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and our Company's financial and strategic investment criteria. Please see the sections entitled "Business and Properties – Teleperformance Cebu" and "Certain Agreements Relating to our Company and the Properties – Memorandum of Agreement for the Acquisition of Teleperformance Cebu or an alternative property" in this REIT Plan.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by our Company, the Joint Bookrunners, the Joint Lead Underwriters, or any of our Company's Affiliates or advisors in connection with the offer and sale of the Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids and quotations from the bourses.

In June 1998, the SEC granted Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of ₱120,000,000.00, of which ₱73,500,000.00 was subscribed and fully paid-up as of September 30, 2017. Each of the 184 member-brokers was granted 50,000 Common Shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. In 2013, the PSE issued Rules on Exchange Traded Funds ("**ETF**") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board, or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, including the removal of the Second Board listing and the requirement that lock-up rules be embodied in a company's articles of incorporation. Each index represents the numerical average of the prices of component shares. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On July 26, 2010, the PSE launched its current trading system, PSE Trade.

The PSE also launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public. In December 2013, the PSE replaced its online disclosure System ("**OdiSy**") with a new disclosure system, the PSE Electronic Disclosure Generation Technology ("**EDGE**"). EDGE was acquired from the Korea Exchange and is a fully automated system, equipped with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors' disclosure searching and viewing experience, and (iii) enhance overall issuer transparency in the market.

In January 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City.

On March 22, 2018, the PSE completed a stock rights offering of 11,500,000 Common Shares which were offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000. The proceeds of the stock rights offering were to be used to fund the acquisition of PDS and capital expenditure requirements of the PSE. As of the date of this REIT Plan, the PSE has an authorized capital stock of ₱120 million, of which 85,025,692 shares are issued. Out of this total, 84,925,686 shares are outstanding, and 100,006 are treasury shares.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2019 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱ billions)	(in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.1	2,172.5
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	271	16,710.0	1,770.0

Source: Philippine Stock Exchange, Inc. and PSE Annual Reports

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one-and-a-half-hour lunch break. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m., with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for a company's shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the corporation or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the subject corporation fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the subject corporation is disseminated, subject again to the trading ban.

In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

(i) In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE.

(ii) In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly-listed securities; 15.0% for security cluster B; and 10.0% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase or sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within 3 business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("**SCCP**") is a wholly-owned Subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through delivery versus payment clearing and settlement of transactions of clearing members, who are also PSE trading participants;

- guaranteeing the settlement of trades in the event of a PSE trading participant's default through the implementation of its fails management system and administration of the Clearing and Trade Guaranty Fund; and

- performance of risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place 3 trading days after transaction date ("**T+3**"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Broker maintains a cash settlement account with one of the seven existing settlement banks of SCCP, which are Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, DB, The Hong Kong Shanghai Banking Corporation Limited, Unionbank of the Philippines, and Maybank Philippines Inc. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its CCCS system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, DB, The Hong Kong Shanghai Banking Corporation Limited, Unionbank of the Philippines, and Maybank Philippines Inc.

In order to benefit from the book-entry system, securities must be immobilized in the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee, a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC.

"Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades, and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry is in the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities are directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the corporation shall no longer issue a certificate to PCD Nominee but shall issue a registry confirmation advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.

- For an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a registry confirmation advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;

- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the PSE in the case of a listing by way of introduction;

- New securities to be offered and applied for listing by an existing listed company; and

- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

"For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date."

"On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in our registry as a confirmation date."

Scripless Shares

The REIT Law provides that all the shares of a REIT shall be in uncertificated form. The PSE Amended REIT Listing Rules require that a REIT shall establish sufficient control and procedures that shall ensure that the shares are traceable to the names of the shareholders or investors and for their own benefit and not for the benefit of any of the non-public shareholders. The REIT shall make the necessary arrangement with a central securities depository on the recording of its shareholders under a Name-On Central Depository arrangement.

TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Offer Shares. The statements made below regarding taxation in the Philippines are based on the laws in force at the date of this REIT Plan and are subject to any changes in law occurring after such date. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Offer Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates or tax incentives under special laws. Prospective purchasers of the Offer Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Offer Shares.

*As used in this section, the term "**resident alien**" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "**non-resident alien**" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "**non-resident alien engaged in trade or business in the Philippines**"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "**non-resident alien not engaged in trade or business in the Philippines**." A "**foreign corporation**" is a corporation that is not created or organized in the Philippines or under its laws. A "**resident foreign corporation**" is a foreign corporation engaged in trade or business within the Philippines; and a "**non-resident foreign corporation**" is a foreign corporation not engaged in trade or business within the Philippines.*

*The term "**non-resident holder**" means a holder of the Offer Shares of the Company:*

- *who is a non-resident alien individual whether or not engaged in trade or business in the Philippines, or is a non-resident foreign corporation; and*

- *should an income tax treaty be applicable, whose ownership of the Offer Shares of the Company is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

On January 1, 2018, the TRAIN Law took effect. TRAIN Law, which contained an initial package of the tax reforms, amended provisions of the NIRC including provisions on DST, tax on income and other distributions, capital gains tax on the sale and disposition of shares of stock, estate tax, and donor's tax. The second package of CTRP which is referred to as the CREATE is currently under review. For CREATE, the Duterte Administration is studying corporate income tax rates and certain tax incentives such as income tax holidays currently being enjoyed by entities, such as those registered with the PEZA.

Sale, Exchange, or Disposition of Shares through an Initial Public Offering ("IPO")

Revenue Regulations No. 13-2011 issued by the BIR on July 25, 2011, provides that any initial public offering and secondary offering of the shares or securities issued by a REIT are exempt from the IPO Tax.

Sale, Exchange, or Disposition of Shares after the IPO

Taxes on Transfer of Shares Listed and Traded on the PSE

Unless an applicable income tax treaty exempts the sale from income and/or percentage tax, a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident shareholder (other than a dealer in securities) is subject to a percentage tax usually referred to as a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, which shall be paid by the seller or transferor. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of its client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain income tax treaties, the exemptions from capital gains tax may not be applicable to the stock transaction tax. However, exemptions from capital gains tax under certain income treaties may not be applicable to the stock transaction tax.

In addition, a VAT of 12% is imposed on the commission earned by the PSE-registered broker, which the broker generally passes on to its client, the seller or transferor.

Capital Gains Tax, if the Sale was Made Outside the PSE

The net capital gains realized from the sale, exchange, or other disposition of shares of stock outside the facilities of the PSE by an individual citizen, resident alien, or a domestic corporation (other than a dealer in securities) during each taxable year are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year. For non-resident alien individuals, such sale, exchange, or disposition is also taxable at the rate of 15%, except that this constitutes final withholding tax.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange, or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to the following rates:

On any amount not over ₱100,000.	5%
On any amount in excess of ₱100,000	10%

The transfer of shares shall not be recorded in the books of the domestic corporation, unless the BIR has issued a Certificate Authorizing Registration ("**CAR**"). The BIR issues a CAR only after verifying that the applicable taxes have been paid.

Tax on Dividends

In general, dividends received from a REIT shall be subject to a final tax of 10%. However, dividends received by a domestic corporation or a resident foreign corporation from REITs are not subject to income tax or withholding tax. If the recipient of the dividends paid by REITs is a non-resident alien individual or a nonresident foreign corporation, the dividends shall be subject to tax at 10% or they may claim a preferential withholding tax rate of less than 10% pursuant to an applicable tax treaty.

The abovementioned tax rate is without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (*Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners*, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief ("**CORTT**") Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit an original copy of the duly accomplished CORTT Form within 30 days.

If a company withholds the regular tax rate instead of the reduced rate applicable under an income tax treaty, a non-resident holder of the company's shares may file a claim for a refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g., DST, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to **all the shareholders of the corporation** are generally not subject to Philippine income tax. However, the subsequent sale, exchange, or disposition of shares in a domestic corporation received as stock dividends by the shareholder is subject to either: (a) stock transaction tax, if the transfer is through a local stock exchange, or (b) capital gains tax and documentary stamp tax, if otherwise.

Preferential Rates under Income Tax Treaties

The following table lists some of the countries with which the Philippines has income tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)(9)	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25(1)	0.6	May be exempt(13)
China	15(2)	Exempt(10)	May be exempt(13)
France	15(3)	Exempt(11)	May be exempt(13)
Germany	15(4)	Exempt(12)	May be exempt(13)
Japan	15(5)	0.6	May be exempt(13)
Singapore	25(6)	0.6	May be exempt(13)
United Kingdom	25(7)	0.6	Exempt(14)
United States	25(8)	0.6	May be exempt(13)

Notes:

(1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.

(4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.

(6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the National Internal Revenue Code provided certain conditions are met.

(9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the National Internal Revenue Code as amended by the Section 39 of the TRAIN.

(10) Article 2(2)(b)(ii) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.

(11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995.

(12) Article 2(3)(a)(iv) of the Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.

(13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption ruling from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the company's stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 72-2010 (*Guidelines on the Processing of Tax Treaty Relief Applications (TTRA) Pursuant to Existing Philippine Tax Treaties* dated August 25, 2010), BIR Form No. 0901-C, other BIR issuances. These include documentary requirements such as the supporting contract; stock certificates; the General Information Sheet; secretary's certificate; comparative schedule of Property, Plant and Equipment; financial statements; BIR Form No. 0605; BIR Form No. 2000-OT; and proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence. The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which in respect of capital gains tax, is before the due date for the payment of the documentary stamp tax on the sale of shares.

Documentary Stamp Tax

The Philippines imposes a DST upon the transfer outside of the PSE of shares of stock issued by a Philippine corporation at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the par value of the shares. The DST is imposed on the person making, signing, issuing, accepting, or transferring the document and is thus payable by either or both the vendor or the vendee of the shares. Conversely, the sale, barter, or exchange of shares of stock listed on and traded through the PSE are exempt from DST.

In addition, the borrowing and lending of securities executed under the securities borrowing and lending program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from DST. The securities borrowing and lending agreement, however, should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority and should be duly registered and approved by the BIR.

Estate and Gift Taxes

Shares issued by a corporation organized or constituted in the Philippines in accordance with Philippine laws are deemed to have a Philippine situs and their transfer by way of succession or donation is subject to Philippine estate and donor's taxes.

The transfer by a deceased Philippine resident to his heirs of the Offer Shares shall be subject to an estate tax which is levied on the net estate of the decedent at a rate of 6%. A holder of the Offer Shares who is a Philippine resident shall be subject to donor's tax based on the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year on the transfer of the Offer Shares by donation at a rate of 6%.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Offer Shares, shall not be collected: (1) if the decedent, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (2) if the laws of the foreign country of which the decedent or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Offer Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Offer Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Offer Shares, based on Section 100 of the NIRC, provided that a transfer of property made in the ordinary course of business (a transaction which is a *bona fide*, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

319,818,100 of the Firm Shares, or 70% of the Firm Shares, are (subject to re-allocation as described below) being offered for sale (i) outside the United States by the International Joint Bookrunner in offshore transactions in reliance on Regulation S of the Securities Act, and (ii) to Domestic QIBs in the Philippines by the Joint Lead Underwriters (the "**Institutional Offer**"). 137,064,900 Firm Shares (the "**Trading Participants and Retail Offer Shares**"), or 30% of the Firm Shares, are being offered by the Joint Lead Underwriters at the Offer Price to all of the Eligible PSE Trading Participants and local small investors ("**LSIs**") in the Philippines (the "**Trading Participants and Retail Offer**") subject to final allocation, which shall be consistent with the applicable rules, as may be determined by the Sole Global Coordinator as Joint Bookrunner. The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as agreed by the Joint Lead Underwriters and the Bookrunners. The Joint Lead Underwriters will underwrite the Trading Participants and Retail Offer Shares on a firm commitment basis and the Joint Lead Underwriters and the International Joint Bookrunner will underwrite the Institutional Offer Shares on a firm commitment basis. There is no arrangement for the Joint Lead Underwriters or the International Joint Bookrunner to return any of the Trading Participants and Retail Offer Shares or the Institutional Offer Shares to our Company.

THE TRADING PARTICIPANTS AND RETAIL OFFER

The Trading Participants and Retail Offer Shares shall initially be offered by the Joint Lead Underwriters to all of the Eligible PSE Trading Participants and LSIs in the Philippines. Our Company and the Sole Global Coordinator as Joint Bookrunner shall allocate approximately 91,376,600 Trading Participants and Retail Offer Shares, or 20% of the Firm Shares, among the Eligible PSE Trading Participants. Each PSE Trading Participant shall initially be allocated 942,000 Shares (computed by dividing the Trading Participants and Retail Offer Shares allocated to the Eligible PSE Trading Participants between 97 Eligible PSE Trading Participants) and subject to reallocation as may be determined by the Sole Global Coordinator as Joint Bookrunner. The balance of 2,600 Firm Shares shall be allocated by the Sole Global Coordinator as Joint Bookrunner to the Eligible PSE Trading Participants. In addition, approximately 45,688,300 Firm Shares, or 10% of the Firm Offer, shall be allocated to the LSIs. Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the Eligible PSE Trading Participants and the LSIs shall be subject to reallocation to the Institutional Offer at the discretion of the Joint Lead Underwriters and the Joint Bookrunners. Any Trading Participants and Retail Offer Shares not taken up by the Eligible PSE Trading Participants or the LSIs or which were the subject of Applications which have been rejected or for which payment eventually did not clear due to insufficient funds and which are not reallocated to the Institutional Offer or taken up by the clients of the Joint Lead Underwriters, or the general public as of Closing Date, shall be irrevocably purchased by the Joint Lead Underwriters pursuant to the terms and conditions of the Underwriting Agreement and as indicated in the following table.

	Number of Trading Participants and Retail Offer Shares
BPI Capital Corporation	97,903,500
PNB Capital and Investment Corporation	19,580,700
SB Capital Investment Corporation	19,580,700
Total	**137,064,900**

To facilitate the Trading Participants and Retail Offer, our Company has appointed BPI Capital Corporation to act as the Sole Global Coordinator and Joint Bookrunner, and together with PNB Capital and Investment Corporation and SB Capital Investment Corporation, as the Joint Lead Underwriters. Our Company and the Joint Lead Underwriters shall enter into an Underwriting Agreement to be dated on July 24, 2020, whereby the Joint Lead Underwriters agree to underwrite, on a firm commitment basis, any Trading Participants and Retail Offer Shares.

BPI Capital Corporation is a Philippine corporation organized in the Philippines as a wholly owned Subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house in 1994 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of March 31, 2020, its total assets amounted to ₱4.1 billion and its capital base amounted to ₱4.0 billion. It has an authorized capital stock of ₱1 billion of which approximately ₱506.4 million represents its paid-up capital.

PNB Capital, a wholly owned subsidiary of the Philippine National Bank ("PNB"), offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. PNB Capital obtained its license from the Philippine SEC to operate as an investment house in 1997 and is licensed to engage in underwriting and distribution of securities to the public. As of March 31, 2020, total assets of PNB Capital were at ₱2,803,544,078 while total capital was at ₱2,117,804,895. SB Capital Investment Corporation is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues, both locally and internationally. As of December 31, 2019, SB Capital Investment Corporation's total assets were ₱2,282 million, its capital base was ₱1,433 million and its paid-up capital stock was ₱1,000 million.

Except for BPI Capital Corporation, the Joint Lead Underwriters have no direct relations with AREIT, Inc. in terms of ownership by either of their respective major stockholder/s. Mr. Enrico S. Cruz is an independent director of both AREIT, Inc. and Security Bank. BPI Capital Corporation is 100% owned by the Bank of the Philippine Islands, which is 22.96% owned by Ayala Corporation. Pre-listing, AREIT, Inc. is 90.15% and 9.85% owned by Ayala Land, Inc. and AyalaLand Offices, Inc., respectively. AyalaLand Offices, Inc. is 100% owned by Ayala Land, Inc. Ayala Land, Inc. is 44.47% owned by Ayala Corporation.

On or before July 29, 2020, the Eligible PSE Trading Participants shall submit to the designated representative of the Joint Lead Underwriters their respective allocation from the Trading Participants and Retail Offer Shares. Trading Participants and Retail Offer Shares not taken up by the Eligible PSE Trading Participants and LSIs may be reallocated to the Institutional Offer at the discretion of the Joint Lead Underwriters.

With respect to the LSIs, all applications to purchase or subscribe for the Trading Participant and Retail Offer Shares must be done online through the PSE EASy. The system will generate a reference number and payment instruction. An application to purchase the Trading Participant and Retail Offer Shares shall not be deemed as a duly accomplished and completed application unless submitted with all required relevant information and applicable supporting documents to the Joint Lead Underwriters or such other financial institutions that may be invited to manage the LSI program. Payment for the Trading Participant and Retail Offer Shares may be made in cash following the payment instructions generated through PSE EASy. LSI applicants may check the status of their subscription applications through their PSE EASy investor accounts.

The estimated underwriting, selling agent, and other professional fees amount to approximately ₱304 million, or about 2.24% of the gross proceeds from Offer Shares, assuming full exercise of the Over-allocation Option. The underwriting fees shall be withheld by the Joint Lead Underwriters from the proceeds of the Firm Offer. Eligible PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of 1.0%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant; any such selling fees will be allocated to the Bookrunner pro rata to its underwriting commitments. The selling fee, less the applicable withholding tax, will be paid by the Joint Lead Underwriters to the Eligible PSE Trading Participants within 10 banking days from the Listing Date.

All of the Trading Participants and Retail Offer Shares are or shall be lodged with the PDTC and shall be issued to the Eligible PSE Trading Participants and LSIs in scripless form. They may maintain the Trading Participants and Retail Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants and Retail Offer Shares from the PDTC's electronic system after the Listing Date.

THE INSTITUTIONAL OFFER

319,818,100 Firm Shares, or 70% of the Firm Shares, will be offered for sale (i) outside the United States by the International Joint Bookrunner (acting as the sole international bookunner) in offshore transactions in reliance on Regulation S of the Securities Act, and (ii) to certain Domestic QIBs and other investors in the Philippines by the Joint Lead Underwriters.

The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be determined by the Joint Lead Underwriters and the Joint Bookrunners. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Institutional Offer Shares may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Trading Participants and Retail Offer Shares may be reallocated to the Institutional Offer. Unless otherwise agreed by the Joint Lead Underwriters and the Joint Bookrunners, the reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional offer. The Optional Shares may be allocated among the Joint Lead Underwriters and the Joint Bookrunners pursuant to a separate agreement among them.

The international underwriting agreement to be dated on or about July 24, 2020 (the "**International Underwriting Agreement**"), entered into among the Company, the Selling Shareholder and the International Joint Bookrunner, is subject to certain conditions and may be subject to termination by the International Joint Bookrunner if certain circumstances, including force majeure, occur on or before the Listing Date.

The Underwriting Agreement dated July 24, 2020 entered into between our Company and the Joint Lead Underwriters, is subject to certain conditions and may be subject to termination by the Joint Lead Underwriters if certain circumstances, including force majeure, occur on or before the Offer Shares are listed on the PSE. Under the terms and conditions of the Underwriting Agreement and the International Underwriting Agreement, the Joint Lead Underwriters and the International Joint Bookrunner have agreed to procure purchasers for or failing which, to purchase the respective number of Institutional Offer Shares indicated in the following table, on a firm commitment basis.

	Number of Institutional Offer Shares
BPI Capital Corporation	130,538,000
PNB Capital and Investment Corporation	26,107,600
SB Capital Investment Corporation	26,107,600
UBS AG Singapore Branch	137,064,900
Total	**319,818,100**

The foregoing tables do not reflect the exercise of the Over-allocation Option that may or may not be exercised by the Stabilizing Agent to purchase up to 45,688,700 additional Shares.

The International Joint Bookrunner and its Affiliates have engaged in transactions with, and have performed various investment banking, commercial banking, and other services for, our Company in the past, and may do so for our Company, the Selling Shareholder, and their respective Subsidiaries and Affiliates from time to time in the future. However, all services provided by the International Joint Bookrunner and the Joint Lead Underwriters, including in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to our Company or the Selling Shareholder. The International Joint Bookrunner does not have any right to designate or nominate a member of the Board. The International Joint Bookrunner has no direct relationship with our Company in terms of share ownership and, the International Joint Bookrunner does not have any material relationship with our Company.

THE OVER-ALLOCATION OPTION

In connection with the Offer, subject to the approval of the SEC, the Selling Shareholder, and our Company have granted the Stabilizing Agent an Over-allocation Option, exercisable in whole or in part to purchase the Optional Shares on the same terms and conditions as the Firm Shares, as set forth herein, from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. In connection therewith, the Selling Shareholder and our Company have entered into a greenshoe agreement with the Stabilizing Agent to, among other things, utilize up to 45,688,700 additional Shares to cover over-allocations under the Institutional Offer. The Optional Shares may be over-allocated and the Stabilizing Agent may affect price stabilization transactions for a period beginning on or after the Listing Date, but extending no later than 30 days from and including the Listing Date. The Stabilizing Agent may purchase Shares in the open market only if the market price of the Shares falls below the Offer Price. The initial stabilizing action of the Stabilizing Agent shall be at a price below the Offer Price. The price for subsequent stabilizing activities shall be determined as follows: (i) after the initial stabilizing action, and if there has not been an independent trade in the market at a higher price than the initial stabilizing trade, the subsequent trade shall be below the initial stabilizing price; and (ii) after the initial stabilizing action, and if there has been an independent trade in the market at a higher price than the initial stabilizing trade, the subsequent trade shall be at the lower of the stabilizing action price or the independent trade price. In this context, "independent trade" means any trade made by any person other than the Stabilizing Agent.

Such activities may stabilize, maintain, or otherwise affect the market price of the Shares, which may have the effect of preventing a decline in the market price of the Shares and may also cause the price of the Shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. However, there is no assurance that the Stabilizing Agent will undertake stabilization activities. If the Stabilizing Agent commences any of these transactions, it may discontinue them at any time. After the 30-day period following the Listing Date, the Stabilizing Agent shall transfer to the Selling Shareholder cash or Shares, depending on whether or not stabilization activities were conducted during the said 30-day period.

In respect of the stabilization activities that may be conducted by the Stabilizing Agent:

1. in the event that the Stabilizing Agent fully exercises the Over-allocation Option because no price stabilization activity was conducted during the Option Period, the Stabilizing Agent shall purchase the Optional Shares at the Offer Price and shall deliver to the Selling Shareholder the purchase price for such Optional Shares;

2. in the event that the Stabilizing Agent exercises the Over-allocation Option only in part because of partial price stabilization activities conducted during the Option Period, the Stabilizing Agent shall (a) purchase the corresponding Optional Shares at the Offer Price and shall deliver to the Selling Shareholder the purchase price for such Optional Shares, and (b) redeliver, or procure the redelivery of, securities of an identical type, par value and description as the Optional Shares in such number as equal to the total number of Optional Shares less the number of Optional Shares purchased pursuant to the partial exercise of the Over-allocation Option; and

3. in the event that the Stabilizing Agent does not exercise the Over-allocation Option because of full price stabilization activities conducted during the Option Period, the Stabilizing Agent shall redeliver, or procure the redelivery of, securities of an identical type, par value and description as the Optional Shares, in such number as equal to the total number of Optional Shares.

LOCK-UP

The PSE Consolidated Listing and Disclosure Rules (the "**PSE Listing Rules**") require an applicant company for the Main Board to cause its existing shareholders owning at least 10% of the outstanding shares of the company not to sell, assign, or in any manner dispose of their shares for a period of 180 days after the listing of the shares. In addition, under the PSE Listing Rules, if there is any issuance or transfer of shares (i.e., private placements, asset for shares swaps, or similar transactions) or instruments which lead to issuance of shares (i.e., convertible bonds, warrants, or similar instruments) done and fully paid for within 180 days prior to the listing date, and the transaction price is lower than that of the listing price, all shares availed of shall be subject to a lock-up period of at least 365 days from full payment of the aforesaid shares.

The following shall be subject to the 180-day lock-up period, assuming the full exercise of the Over-allocation Option:

Shareholder	**No. of Common Shares Held before the Offer**	**% Total of Shareholding before the Offer**	**% Total of Shareholding after the Offer**	**No. of Shares Subject to 180-day Lock-up Period**
Ayala Land	881,499,993	90.15%	41.6%	426,792,293
AyalaLand Offices, Inc.	96,292,435	9.85%	9.4%	96,292,435

To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository ("**PCD**") participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

The Company and the Selling Shareholder have agreed with the Joint Lead Underwriters and the International Joint Bookrunner that neither the Company nor the Selling Shareholder will, except for the sale of the Offer Shares, issue, offer, sell, contract to sell, pledge, or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any common shares or securities convertible or exchangeable into or exercisable for any common shares or warrants or other rights to purchase common shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the listing of the Offer Shares.

SELLING RESTRICTIONS

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

NAME-ON CENTRAL DEPOSITORY ARRANGEMENT

The REIT Law provides that all the shares of a REIT shall be in uncertificated form. Further, the REIT shall engage the services of a duly licensed transfer agent to monitor subsequent transfers of the shares. Such transfer agent shall ensure that the shares are traceable to the names of the shareholders or investors and for their own benefit and not for the benefit of any non-public shareholders. The PSE Amended REIT Listing Rules require that a REIT shall establish sufficient control and procedures that shall ensure that the shares are traceable to the names of the shareholders or investors and for their own benefit and not for the benefit of any of the non-public shareholders.

In this regard, our Company, together with the Joint Lead Underwriters, are making the necessary arrangements with the PDTC as central securities depository on the recording of the Company's shareholders under a Name-On Central Depository arrangement.

LEGAL MATTERS

Certain legal matters as to Philippine law in connection with the Offer will be passed upon by Picazo Buyco Tan Fider & Santos Law Offices, legal counsel to the Joint Lead Underwriters and the International Joint Bookrunner, and Angara Abello Concepcion Regala & Cruz Law Offices, legal counsel to our Company.

Certain legal matters as to United States federal law and New York State law will be passed upon by Latham & Watkins LLP, United States legal counsel to the Joint Lead Underwriters and the International Joint Bookrunner, and Allen & Overy LLP, United States counsel to our Company. In rendering such opinions, each of Latham & Watkins LLP and Allen & Overy LLP may rely upon the opinions of Picazo Buyco Tan Fider & Santos Law Offices and Angara Abello Concepcion Regala & Cruz Law Offices, respectively, as to all matters of Philippine law.

None of the above-mentioned advisers have any direct or indirect interest in our Company arising from the Offer.

INDEPENDENT AUDITORS AND OTHER EXPERTS

SGV & Co. was responsible for preparing the independent auditor's report on the audited financial statements of the Company. Asian Appraisal Company, Inc. was responsible for preparing the independent property valuation report of the Properties whereas Colliers International Philippines, Inc. prepared the industry reports (comprising the Market Study on the Metro Manila Office Sector by Colliers attached at Annex 3 and the Market Study on the Office Sector in Selected Areas in Cebu attached at Annex 4). Gatmaytan Yap Patacsil Gutierrez & Protacio was responsible for providing advice on the taxation-related disclosures in this REIT Plan. The aggregate professional fees billed by the aforementioned experts totaled to ₱0.91 million and ₱1.77 million in 2018 and 2019, respectively.

Independent Auditors

SGV & Co., independent auditors, has audited our financial statements as of and for the years ended December 31, 2019, 2018, 2017 and 2016 and as of March 31, 2020 and for the three months ended March 31, 2020 and 2019, in accordance with Philippine Standards on Auditing.

SGV & Co. has acted as our Company's independent auditor since 2008. Dolmar C. Montañez is our current audit partner and has served as such since 2015. We have not had any material disagreements on accounting and financial disclosures with our current independent auditors. SGV & Co. has neither shareholdings in our Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in us. SGV & Co. will not receive any direct or indirect interest in our Company or in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last two fiscal years for professional services rendered by SGV & Co., excluding fees directly related to the Offer. The aggregate billed fees related to the Offer amounted to ₱1.35 million in 2019.

	2018	2019
	(₱ in millions)	
Audit and audit-related fees		
Audit services	0.80	0.65
Other assurance and related services	–	–
Tax fees	0.09	0.03
All other fees	0.02	0.08
Total	0.91	0.76

In relation to the audit of our financial statements, our Manual provides that the Audit Committee shall performs oversight functions over our external auditors, ensuring that such auditors remain independent and are given unrestricted access to all records, properties, and personnel to enable them to perform their audit functions adequately.

Property Valuer – Asian Appraisal Company, Inc.

Asian Appraisal, the independent property valuers, were responsible for preparing the independent property valuation report, dated June 17, 2020 and attached to this REIT Plan at Annex 2.

Asian Appraisal Company, Inc. was registered in the SEC on July 10, 1961, and has been duly accredited by the SEC on February 03, 2016, which accreditation is valid until February 2, 2021. Asian Appraisal Company, Inc. has likewise been duly accredited by the PSE on August 29, 2017, which accreditation is valid until August 28, 2022. The certifying officer of Asian Appraisal Company, Inc. for the property valuation summary report attached to this REIT Plan is John C. Par, who is a professional appraiser duly licensed by the Professional Regulatory Board of Real Estate Service pursuant to Republic Act No. 9646. Asian Appraisal Company, Inc. has been in the appraisal industry for the past 58 years. It renders professional service to Philippine Veterans Bank and at least two (2) public companies, including Government Services Insurance System, and Department of Public Works and Highways.

Below are the directors and officers of Asian Appraisal Company, Inc.:

Name	Position
Anthony M. Te	Director and Chairman
Felix Cesar L. Zerrudo	Director and President
Arlene C. Keh	Director
Milagros T. Blancas	Director
Diane Madelyn C. Ching	Director and Corporate Secretary
Cristina A. Glindro	Director and Treasurer
Emmanuel P. Te	Director

To the best of the Company's knowledge, Asian Appraisal Company, Inc. or any of its directors or officers have no adverse judgment on any administrative, civil, or criminal case involving its appraisal business. Asian Appraisal Company, Inc. ensures that its opinion and valuation is independent of and unaffected by its business or commercial relationship with other persons. To the best of the Company's knowledge, the directors and principal officers of Asian Appraisal Company, Inc. comply with the Fit and Proper Rule.

Other Experts

Colliers International Philippines, Inc., the independent market research consultant, was responsible for preparing the industry reports, portions of which have been presented in the section entitled "Industry" in this REIT Plan and the full versions of which are attached to this REIT Plan at Annex 3 and Annex 4.

Gatmaytan Yap Patacsil Gutierrez & Protacio, the independent legal and tax adviser, was responsible for providing advice on the taxation-related disclosures in this REIT Plan.

INDEX TO OUR FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AREIT, Inc.** (the Company**)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein as of March 31, 2020 and December 31, 2019 and for the three months period ended March 31, 2020 and 2019, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders as of March 31, 2020 and December 31, 2019 and for the three months period ended March 31, 2020 and 2019, respectively, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Jose Emmanuel H. Jalandoni
Chairman of the Board

Carol T. Mills
President

Elaine Marie F. Alzona
Chief Finance Officer

Signed this 23rd day of June 2020

SUBSCRIBED AND SWORN to before me this _____________, at Makati City, affiants exhibiting to me their competent evidence of identity, to wit:

Name	Competent Evidence of Identity	Date & Place of Issued
Jose Emmanuel H. Jalandoni		
Carol T. Mill		
Elaine Marie F. Alzona		

Doc. No. ______;
Page No. ______;
Book No. _____;
Series of 2020.

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Opinion

We have audited the interim financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company), which comprise the statements of financial position as at March 31, 2020 and December 31, 2019, and the interim statements of comprehensive income, interim statements of changes in equity and interim statements of cash flows for the three months ended March 31, 2020 and 2019, and notes to the interim financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and December 31, 2019, and its financial performance and its cash flows for the three months ended March 31, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the interim financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Interim Financial Statements

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

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

- Identify and assess the risks of material misstatement of the interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim financial statements, including the disclosures, and whether the interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

June 23, 2020

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)
STATEMENTS OF FINANCIAL POSITION

	March 31, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash (Notes 4 and 20)	**₱187,203,934**	₱122,180,606
Receivables (Notes 5 and 20)	**2,250,169,159**	1,994,499,843
Other current assets (Note 6)	**593,644,865**	157,602,667
Total Current Assets	**3,031,017,958**	2,274,283,116
Noncurrent Assets		
Noncurrent portion of receivables (Notes 5 and 20)	**2,580,401,534**	2,556,978,813
Investment properties (Note 7)	**6,149,506,454**	6,192,374,393
Right-of-use asset (Note 17)	**849,080,382**	–
Property and equipment (Note 8)	**18,080**	20,089
Other noncurrent assets (Note 6)	**679,934,813**	968,057,313
Total Noncurrent Assets	**10,258,941,263**	9,717,430,608
	₱13,289,959,221	₱11,991,713,724
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9 and 20)	**₱369,165,616**	₱274,477,842
Current portion of deposits and other liabilities (Notes 11 and 20)	**136,209,755**	166,793,502
Income tax payable	**141,204,525**	71,241,649
Current portion of lease liability (Note 17)	**30,063,858**	–
Construction bonds (Notes 10 and 20)	**12,799,902**	11,105,498
Total Current Liabilities	**689,443,656**	523,618,491
Noncurrent Liabilities		
Deposits and other liabilities - net of current portion (Notes 11 and 20)	**658,235,611**	600,134,138
Lease liability - net of current portion (Note 17)	**832,226,749**	–
Deferred tax liabilities - net (Note 18)	**57,504,468**	67,232,321
Total Noncurrent Liabilities	**1,547,966,828**	667,366,459
Total Liabilities	**2,237,410,484**	1,190,984,950
Equity (Note 12)		
Paid-up capital	**10,451,224,050**	10,451,224,050
Treasury shares	**(673,299,700)**	(673,299,700)
Retained earnings	**1,274,624,387**	1,022,804,424
Total Equity	**11,052,548,737**	10,800,728,774
	₱13,289,959,221	₱11,991,713,724

See accompanying Notes to Interim Financial Statements.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
	2020	2019
REVENUE		
Rental income (Notes 7, 13 and 17)	**₱355,991,861**	₱316,957,381
Dues (Notes 7 and 14)	**53,344,079**	59,548,720
Interest income from finance lease receivables (Notes 14, 17 and 19)	**37,497,499**	–
	446,833,439	376,506,101
COSTS AND EXPENSES		
Direct operating expenses (Notes 7 and 16)	**126,414,026**	103,324,281
General and administrative expenses (Note 16)	**7,751,291**	2,879,566
	134,165,317	106,203,847
OTHER INCOME (CHARGES) - Net		
Interest income (Notes 4, 15 and 19)	**14,618,537**	20,148,300
Interest expense (Notes 11, 15 and 17)	**(18,769,106)**	(3,706,266)
Other income (Note 15)	**3,565,005**	114,229
	(585,564)	16,556,263
INCOME BEFORE INCOME TAX	**312,082,558**	286,858,517
PROVISION FOR INCOME TAX (Note 18)	**60,262,595**	54,031,491
NET INCOME	**251,819,963**	232,827,026
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱251,819,963**	₱232,827,026
Basic/Diluted Earnings Per Share (Note 21)	**₱0.26**	₱0.24

See accompanying Notes to Interim Financial Statements.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

INTERIM STATEMENTS OF CHANGES IN EQUITY

	Three Months Ended March 31	
	2020	2019
PAID-UP CAPITAL (Note 12)		
Common Shares - ₱10 par value in 2019 and 2018		
Balance at beginning and end of period	**₱10,451,224,050**	₱10,451,224,050
TREASURY SHARES (Note 12)	**–**	
Balance at beginning and end of period	**(673,299,700)**	(673,299,700)
RETAINED EARNINGS (Note 12)		
Balance at beginning of period	**1,022,804,424**	722,691,606
Net income/Total comprehensive income	**251,819,963**	232,827,026
Balance at end of period	**1,274,624,387**	955,518,632
	₱11,052,548,737	₱10,733,442,982

See accompanying Notes to Interim Financial Statements.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

INTERIM STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱312,082,558**	₱286,858,517
Adjustments for:		
Depreciation (Notes 7, 8 and 16)	**51,457,432**	47,733,090
Interest expense (Notes 11 and 16)	**18,769,106**	3,706,266
Interest income from finance lease receivables (Notes 17)	**(37,497,499)**	–
Interest income (Notes 4, 15 and 19)	**(14,618,537)**	(20,148,300)
Operating income before working capital changes	**330,193,060**	318,149,573
Changes in operating assets and liabilities:		
Increase in:		
Receivables	**(72,294,538)**	(241,089,460)
Other assets	**(147,919,698)**	(85,881,878)
Increase (decrease) in:		
Accounts and other payables	**94,687,774**	(162,728,888)
Deposits and other liabilities	**17,889,218**	14,269,030
Construction bonds	**1,694,404**	3,094,468
Cash generated from (used in) operations	**224,250,220**	(154,187,155)
Interest received	**14,618,537**	20,148,300
Income tax paid	**(27,572)**	(4,852)
Net cash flows provided by (used in) operating activities	**238,841,185**	(134,043,707)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties (Notes 19 and 23)	**(169,300,000)**	184,000,000
Payments for additions to investment properties (Note 7)	**(4,517,857)**	(9,420,118)
Net cash flows provided by (used in) investing activities	**(173,817,857)**	174,579,882
NET INCREASE IN CASH	**65,023,328**	40,536,175
CASH AT BEGINNING OF PERIOD	**122,180,606**	26,129,103
CASH AT END OF PERIOD (Note 4)	**₱187,203,934**	₱66,665,278

See accompanying 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 with a corporate life of 50 years. 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.

The Company is 90.15%-owned by Ayala Land Inc. (ALI) and 9.85%-owned by AyalaLand Offices, Inc. (ALOI), a wholly owned subsidiary of ALI. ALI's parent is Ayala Corporation (AC). AC is 47.33%-owned by Mermac, Inc. and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

The 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 operational and administrative functions of the Company are handled by ALI (see Note 19).

On April 12, 2019, the SEC approved the change in the Company's name from One Dela Rosa Property Development, Inc. to AyalaLand REIT, Inc. Subsequently, on June 28, 2019, the SEC further approved the change in the Company's name from AyalaLand REIT, Inc. to AREIT, Inc.

The accompanying interim financial statements were approved and authorized for issue by the BOD on June 23, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation
The interim financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying interim financial statements of the Company have been prepared for inclusion in the prospectus in relation to a planned capital-raising activity.

Statement of Compliance
The interim financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2020.

Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 16, *Covid-19-related Rent Concessions*

  The amendments provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of Covid-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the Covid-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

  The amendments had no impact on the interim financial statements of the Company.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no significant impact on the interim financial statements of the Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the content of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim financial statements of, nor is there expected to be any future impact to the Company.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim financial statements of the Company.

Standards and Interpretations Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's interim financial statements.

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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

During its March 2020 Board Meeting, the International Accounting Standards Board (IASB) completed its planned re-deliberations on the Exposure Draft Amendments to PFRS 17, Insurance Contracts. The IASB agreed to defer the effective date of PFRS 17 to annual reporting periods beginning January 1, 2023.

These amendments are not applicable to the Company.

Current and Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on a current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash

Cash includes cash on hand and in banks. Cash in banks are stated at face amounts and earn interest at the prevailing bank deposit rates.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost include cash in banks and receivables.

The Company has no financial assets under FVOCI with or without recycling and FVTPL categories.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include accounts and other payables, security deposits and construction bonds.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. This category generally applies to accounts and other payables, deposits and other liabilities.

Derecognition of Financial Instruments

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:
- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

For trade receivables and finance lease receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

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

Level 1: - quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: - valuation techniques for which the lowest level input that it is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the interim financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

Deposits and other liabilities
Deposits and other liabilities which includes security deposits that are initially measured at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using effective interest method.

The difference between the cash received and its fair value is deferred (included in the "Deferred credits" under "Deposits and other liabilities" account in the statement of financial position) and amortized using the straight-line method and recognized as "Amortization of deferred credits" under the "Rental income" account in profit or loss. Accretion of discount is recorded under "Interest expense" account in profit or loss.

Other assets
Other assets include input value-added tax (VAT), prepaid expenses and creditable withholding taxes.

Input VAT
Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services which are incurred and billings which has been received as of date. The input VAT can also be recovered as tax credit against future income tax liability of the Company or refunded subject to the approval of the BIR. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Deferred input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding ₱1 million. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

Prepaid expenses
Prepaid expenses represent paid expenses that are not yet incurred. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Creditable withholding taxes
Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and utilized as tax credits against income tax due.

Investment properties
Investment properties comprise of construction-in-progress and completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.

These are carried at cost less accumulated depreciation and amortization and any impairment.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation of investment properties, which consist of buildings, are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful life of the buildings is 40 years.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, *Revenue from Contracts with Customers*.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

<u>Impairment of Nonfinancial Assets</u>
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

<u>Equity</u>
Paid-up capital and Additional paid-in capital (APIC)
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Amount of contribution in excess of par value is accounted for as APIC.

Stock issuance costs
Stock issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction, net of tax, from the proceeds. These costs are charged to APIC or "Retained earnings", if no available APIC.

Treasury shares
Treasury shares are the Company's own equity instruments which were reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock is reduced by its par value and the excess of cost over par value upon retirement is charged to APIC when the shares were issued and to retained earnings for the remaining balance.

Retained earnings
Retained earnings represent the cumulative balance of net income of the Company, net of dividend distribution, if any.

<u>Revenue Recognition</u>
The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

Dues
Dues are recognized when the related services are rendered. Common area, air conditioning, electricity and water dues in excess of actual charges and consumption are recorded as revenue. Billing from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

Other income
Other income is recognized when the related services have been rendered and the right to receive payment is established.

Disaggregated revenue information
The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity (see Note 14).

Allocation of transaction price to performance obligation
Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

Timing of revenue recognition
Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

Deferral of Philippine Interpretations Committee Question and Answers (PIC Q&As) on accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes accounting for CUSA charges discussed in PIC Q&A No. 2018-12-H which concludes that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 for a period of three years. The deferral will only be applicable for real estate transactions. Effective January 1, 2021, the Company will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Company is currently presenting its common area, air conditioning, electricity and water dues on a net basis. Had the Company opted to not avail of the relief from the deferral and will comply in full requirement of PIC Q&A 2018-12, the Company will be presenting the revenue from common area charges at gross amounts (see Note 14).

Income outside the scope of PFRS 15

Rental income
Rental income under noncancellable and cancellable leases on investment properties is accounted under operating lease and is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts.

Interest income from finance lease receivables
Interest income is recognized as it accrues using the EIR method which pertains to the receivable arising from finance lease agreement.

Interest income
Interest income is recognized as it accrues using the EIR method.

Costs and Expenses
Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Leases
Company as lessor - operating lease
Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Company as lessor - finance lease
A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its statement of financial position and present

them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

Right-of-use asset
The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use asset are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

<u>Income Tax</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred tax
Deferred income tax is provided using the liability method on all temporary differences, with certain exceptions between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Company’s lease operation is its only segment. Financial information on business segment is presented in Note 22 to the interim financial statements.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the interim financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the interim financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events up to the date when the interim financial statements are authorized for issue that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the interim financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the interim financial statements when material.

3. Summary of Significant Accounting Estimates, Judgments and Assumptions

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

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

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

Finance lease commitments - Company as lessor
The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of this property to the lessee and accounts for the agreement as finance lease.

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

Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease agreement for Mckinley Exchange Corporate Center (MECC), therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Company's lease liabilities amounted to ₱862.29 million as of March 31, 2020 (see Note 17; nil as of December 31, 2019).

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

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

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

The carrying value of the Company's trade receivables amounted to ₱516.80 million and ₱479.28 million as of March 31, 2020 and December 31, 2019, respectively, net of allowance for credit losses amounting to ₱14.92 million and ₱7.66 million as of March 31, 2020 and December 31, 2019, respectively (see Note 5).

Evaluating impairment of nonfinancial assets
The Company regularly reviews its nonfinancial asset for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect its nonfinancial assets.

The Company's nonfinancial assets are not impaired as of March 31, 2020 and December 31, 2019. The carrying values of the Company's nonfinancial assets follow:

	March 31, 2020	December 31, 2019
Investment properties (Note 7)	**₱6,149,506,454**	₱6,192,374,393
Right-of-use asset (Note 17)	**849,080,382**	–
Deferred input VAT (Note 6)	**581,178,508**	622,744,439
Input VAT (Note 6)	**462,186,376**	436,890,469
	₱8,041,951,720	₱7,252,009,301

Estimating useful life of investment properties
The Company estimates the useful life of its investment properties based on the period over which the asset is expected to be available for use. The estimated useful life of investment properties is reviewed at least annually and is updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of the asset. It is possible that future financial performance could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The carrying value of the Company's investment properties amounted to ₱6,149.51 million and ₱6,192.37 million as of March 31, 2020 and December 31, 2019, respectively (see Note 7).

4. **Cash**

This account consists of:

	March 31, 2020	December 31,2019
Cash on hand	**₱22,500**	₱22,500
Cash in banks	**187,181,434**	122,158,106
	₱187,203,934	₱122,180,606

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.35% to 0.45% in 2020 and 2019. Interest income earned from cash in banks amounted to ₱0.14 million and ₱0.02 million in 2020 and 2019, respectively (see Note 15).

5. **Receivables**

This account consists of:

	March 31, 2020	December 31, 2019
Finance lease receivable (Notes 17 and 19)	**₱2,305,429,437**	₱2,267,931,937
Due from related parties (Note 19)	**2,007,673,959**	1,803,889,622
Trade receivables		
Accrued rent	**374,066,045**	369,059,057
Billed	**157,656,005**	117,888,650
Other receivables	**669,006**	374,307
	4,845,494,452	4,559,143,573
Less allowance for credit losses	**14,923,759**	7,664,917
	4,830,570,693	4,551,478,656
Less noncurrent portion	**2,580,401,534**	2,556,978,813
	₱2,250,169,159	₱1,994,499,843

Accrued rent pertains to receivables resulting from the straight-line method of recognizing rental income.

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

Noncurrent portion of receivables
This account consists of:

	March 31, 2020	December 31, 2019
Finance lease receivable (Notes 17 and 19)	**₱2,238,103,640**	₱2,215,249,105
Trade receivables	**342,297,894**	341,729,708
	₱2,580,401,534	₱2,556,978,813

The movements in allowance for credit losses follows:

	March 31, 2020	December 31, 2019
Balance at beginning of year	**₱7,664,917**	₱7,664,917
Additions (Note 16)	**7,258,842**	–
Balance at end of year	**₱14,923,759**	₱7,664,917

6. Other Assets

Other Current Assets
This account consists of:

	March 31, 2020	December 31, 2019
Input VAT	**₱363,430,071**	₱91,577,595
Prepaid expenses	**143,286,456**	–
Creditable withholding taxes	**86,928,338**	66,025,072
	₱593,644,865	₱157,602,667

Input VAT is applied against output VAT within 12 months. This includes input VAT claimed for refund amounting to ₱6.39 million which is awaiting approval from the BIR.

Prepaid taxes pertain to payment of real property taxes which is amortized over a year.

Creditable withholding taxes represent the amount withheld from the Company. These are recognized upon collection of the related lease receivable and are utilized as tax credits against income tax due.

Other Noncurrent Assets
This account consists of:

	March 31, 2020	December 31, 2019
Deferred input VAT	**₱581,178,508**	₱622,744,439
Input VAT	**98,756,305**	345,312,874
	₱679,934,813	₱968,057,313

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.00 million per transaction which is available for offset against the Company's future output VAT.

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

7. Investment Properties

	March 31, 2020		
	Building and Improvements	**Construction-in-Progress**	**Total**
Cost			
Balance at beginning of period	**₱7,047,820,671**	**₱1,979,866**	**₱7,049,800,537**
Additions	**4,517,857**	**–**	**4,517,857**
Balance at end of period	**7,052,338,528**	**1,979,866**	**7,054,318,394**
Accumulated Depreciation			
Balance at beginning of period	**857,426,144**	**–**	**857,426,144**
Depreciation and amortization (Note 16)	**47,385,796**	**–**	**47,385,796**
Balance at end of period	**904,811,940**	**–**	**904,811,940**
Net Book Value	**₱6,147,526,588**	**₱1,979,866**	**₱6,149,506,454**

	December 31, 2019		
	Building and Improvements	Construction-in-Progress	Total
Cost			
Balance at beginning of period	₱6,134,749,678	₱2,720,149,866	₱8,854,899,544
Transfer	2,718,170,000	(2,718,170,000)	–
Derecognition of portion under finance lease (Note 17)	(1,823,955,000)	–	(1,823,955,000)
Additions	18,855,993	–	18,855,993
Balance at end of period	7,047,820,671	1,979,866	7,049,800,537
Accumulated Depreciation			
Balance at beginning of period	666,850,509	–	666,850,509
Depreciation and amortization (Note 16)	190,575,635	–	190,575,635
Balance at end of period	857,426,144	–	857,426,144
Net Book Value	₱6,190,394,527	₱1,979,866	₱6,192,374,393

Investment properties are composed of one (1) stand-alone building and one (1) mixed-used property, which are being leased out for office and retail and serviced apartment. The stand-alone building, Solaris One building, is located along Dela Rosa St. Legaspi Village, Makati City. The mixed-used property, ANE property, is composed of business process outsourcing and headquarters tower, retail spaces and serviced apartment, which is located along Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City.

Construction-in-progress pertains to ongoing construction, installation and related activities on certain investment property or other items necessary to prepare it for use. These are transferred to the related investment property account once construction is completed and is ready for service.

Additions include initial direct costs which comprise broker's commission paid to various brokers amounting to nil in 2020 and ₱8.46 million in 2019. These are amortized over the lease term on the same basis as the lease income.

The fair value of the Company's investment properties amounting to ₱23,544.12 million was determined using the Income Approach which derives an indication of value for income-producing property by converting anticipated future benefits into current property value. The valuation as of March 31, 2020 was internally determined by the Company through leveraging from the key assumptions used in the most updated appraisal report dated June 17, 2020 adjusted for the information from April to June 2020.

The aggregate fair value disclosed in the financial statements excludes the hotel portion of ANE which is being leased out and accounted for under finance lease, and property being leased by the Company such as MECC. The fair value determination also uses March 31, 2020 inputs to the valuation (e.g., discount rate, cash flows, etc. as of March 31, 2020). Some of the observable inputs (e.g. BVAL rate) significantly changed from March 31, 2020 to the date of the latest appraisal report.

The following table provides the fair value hierarchy of the Company's investment properties as of March 31, 2020:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	March 31, 2020	₱23,544,115,266	₱–	₱–	₱23,544,115,266

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	Significant unobservable inputs
Solaris	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate
ANE	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate

Rental income and dues earned from investment properties and direct operating expenses incurred are as follows:

	2020 (Three months)	2019 (Three months)
Rental income (Note 13)	**₱355,991,861**	₱316,957,381
Dues (Note 14)	**53,344,079**	59,548,720
Direct operating expenses (Note 16)	**126,414,026**	103,324,281

8. **Property and Equipment**

This account pertains to electronic data processing equipment. The rollforward analyses follow:

	March 31, 2020	December 31, 2019
Cost		
Balances at beginning and end of period	**₱1,888,872**	₱ 1,888,872
Accumulated Depreciation		
Balances at beginning of period	**1,868,783**	1,837,379
Depreciation (Note 16)	**2,009**	31,404
Balances at end of period	**1,870,792**	1,868,783
Net Book Value	**₱18,080**	₱20,089

There are no items of property and equipment that are pledged as security to liabilities as of March 31, 2020 and December 31, 2019.

There are no contractual purchase commitments for property and equipment as of March 31, 2020 and December 31, 2019.

Costs of fully depreciated electronic data processing equipment still in use amounted to ₱1.55 million as of March 31, 2020 and December 31, 2019.

9. **Accounts and Other Payables**

This account consists of:

	March 31,2020	December 31,2019
Due to related parties (Note 19)	**₱266,482,914**	₱179,751,118
Accrued expenses		
Rent	**15,752,262**	3,298,736
Repairs and maintenance	**6,467,447**	6,079,597
Light and water	**4,797,482**	12,144,253
Others	**54,466,233**	29,429,565
Taxes payable	**10,826,488**	13,233,473
Accounts payable	**9,587,590**	29,755,900
Retention payable	**785,200**	785,200
	₱369,165,616	₱274,477,842

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

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

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.

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

10. Construction Bonds

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

The carrying value of the Company's construction bonds amounted to ₱12.80 million and ₱11.11 million as of March 31, 2020 and December 31, 2019, respectively.

11. Deposits and Other Liabilities

This account consists of:

	March 31, 2020	December 31, 2019
Advance rentals	**₱386,142,189**	₱386,014,343
Security deposits	**343,979,720**	314,447,416
Deferred credits	**64,323,457**	66,465,881
	794,445,366	766,927,640
Less current portion	**136,209,755**	166,793,502
	₱658,235,611	₱600,134,138

The current portion of these accounts follows:

	March 31, 2020	December 31, 2019
Security deposits	**₱82,758,766**	₱84,729,181
Advance rentals	**53,375,178**	81,793,332
Deferred credits	**75,811**	270,989
	₱136,209,755	₱166,793,502

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 the 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.

The rollforward analysis of security deposits follows:

	March 31, 2020	December 31, 2019
Gross Amount		
Balance at beginning of period	**₱394,737,664**	₱355,834,182
Additions	**23,459,633**	80,405,744
Refunds	**–**	(41,502,262)
Balance at end of period	**418,197,297**	394,737,664
Unamortized Discount		
Balance at beginning of period	**80,290,248**	77,202,362
Additions	**3,555,837**	15,650,424
Accretion (Note 16)	**(9,628,508)**	(12,562,538)
Balance at end of period	**74,217,577**	80,290,248
Net Amount	**₱343,979,720**	₱314,447,416
Less current portion	**82,758,766**	84,729,181
	₱261,220,954	₱229,718,235

Deferred credits
Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method.

The rollforward analysis of deferred credits follows:

	March 31, 2020	December 31, 2019
Balance at beginning of period	**₱66,465,881**	₱69,069,960
Additions	**3,555,837**	15,650,424
Amortization (Note 13)	**(5,698,261)**	(18,254,503)
Balance at end of period	**64,323,457**	66,465,881
Less current portion	**75,811**	270,989
	₱64,247,646	₱66,194,892

12. **Equity**

Capital stock
The details of the Company’s capital stock as of March 31, 2020 and December 31, 2019 follow:

	Common
Authorized	1,174,000,000
Par value per share	₱10.00
Issued and outstanding shares	977,792,435

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 make adjustments to it, in light of changes in economic conditions. The Company considers its total equity as capital.

The Company's total capital as of March 31, 2020 and December 31, 2019 follow:

	March 31, 2020	December 31, 2019
Paid-up capital	**₱10,451,224,050**	₱10,451,224,050
Treasury shares	**(673,299,700)**	(673,299,700)
Retained earnings	**1,274,624,387**	1,022,804,424
	₱11,052,548,737	₱10,800,728,774

The Company is currently not subject to any external capital requirement.

No changes were made in the Company's capital management objectives, policies or processes as of March 31, 2020 and December 31, 2019.

13. Rental Income

This account consists of:

	2020 (Three Months)	2019 (Three Months)
Office and retail	**₱332,543,715**	₱297,592,417
Parking fees	**17,749,885**	11,697,132
Amortization of deferred credits (Note 11)	**5,698,261**	7,667,832
	₱355,991,861	₱316,957,381

Rental income from office, retail and parking includes income from straight-line method of recognizing rental income amounting to ₱5.01 million and ₱81.38 million for three months ended March 31, 2020 and 2019, respectively.

14. Dues and Interest Income from Finance Lease Receivables

Dues

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

	2020 (Three Months)	2019 (Three Months)
Dues	**₱147,816,957**	₱114,274,722
Direct operating expenses		
Utilities	**60,320,620**	38,484,973
Outside services	**16,117,179**	7,512,421
Repairs and maintenance	**15,790,219**	7,755,737
Miscellaneous	**2,244,860**	972,871
	94,472,878	54,726,002
	₱53,344,079	₱59,548,720

Set out below is the disaggregation of the Company's revenue from non-lease component:

	2020 (Three Months)	2019 (Three Months)
Dues:		
Common area charges	**₱40,950,817**	₱48,601,735
Utilities dues	**12,393,262**	10,946,985
	₱53,344,079	₱59,548,720

Interest income from finance lease receivables
This account pertains to accretion of finance lease receivable amounting to ₱37.50 million for the three months ended March 31, 2020 (see Note 17; nil for the three months ended March 31, 2019).

15. Interest and Other Income

Interest Income
This account consists of:

	2020 (Three Months)	2019 (Three Months)
Interest income from intercompany loans (Note 19)	**₱14,480,672**	₱20,124,039
Interest income from cash in banks (Note 4)	**137,865**	24,261
	₱14,618,537	₱20,148,300

Other Income
This account pertains to income earned from interest and penalties arising from late payments amounting to ₱3.57 million and ₱0.11 million for the three months ended March 31, 2020 and 2019, respectively.

16. Costs and Expenses and Other Charges

Direct Operating Expenses
This account consists of:

	2020 (Three Months)	2019 (Three Months)
Depreciation and amortization (Notes 7 and 17)	**₱51,455,423**	₱47,718,274
Taxes and licenses	**34,662,129**	24,652,945
Land lease (Notes 17 and 19)	**27,380,539**	18,342,454
Management fees (Note 19)	**9,249,073**	8,839,529
Insurance	**2,125,317**	2,970,425
Others	**1,541,545**	800,654
	₱126,414,026	₱103,324,281

General and Administrative Expenses
This account consists of:

	2020 (Three Months)	2019 (Three Months)
Provision for credit losses (Note 5)	**₱7,258,842**	₱–
Professional fees	**234,400**	1,611,492
Systems costs (Note 19)	**134,523**	417,807
Taxes and licenses	**5,368**	759,000
Depreciation (Note 8)	**2,009**	14,816
Others	**116,149**	76,451
	₱7,751,291	₱2,879,566

Interest Expense

This account consists of:

	2020 (Three Months)	2019 (Three Months)
Accretion of security deposit (Note 11)	**₱9,628,508**	₱3,706,266
Interest expense on lease liabilities (Note 17)	**9,140,598**	–
	₱18,769,106	₱3,706,266

17. **Agreements and Lease Commitments**

Company as lessor - operating lease
In (month/year), the Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These noncancellable leases are subject to 3% to 10% annual escalation rate.

The future minimum rentals receivable under noncancellable operating leases are as follows:

	March 31, 2020	December 31, 2019
Within one year	**₱1,355,945,077**	₱1,247,102,277
After one year but not more than five years	**4,923,912,369**	5,111,571,372
More than five years	**937,743,614**	341,483,942
	₱7,217,601,060	₱6,700,157,591

Total rental income amounted to ₱355.99 million and ₱316.96 million for the three months ended March 31, 2020 and 2019, respectively (see Note 13). Rental income arising from variable rent based on gross sales amounted to ₱2.66 million and ₱2.12 million for the three months ended March 31, 2020 and 2019, respectively.

Company as lessor - finance lease
In 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (see Note 19). The agreement pertains to the lease of a portion, composed of 18 floors stacked on top of the headquarters tower, of ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the Lessee for the remaining period of the lease term.

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

	March 31, 2020	December 31, 2019
Within one year	**₱406,560,000**	₱203,280,000
More than one year and not more than five (5)years	**650,496,000**	650,496,000
More than five (5) years	**5,258,176,000**	5,552,653,750
Total undiscounted lease payments and unguaranteed residual value	**6,315,232,000**	6,406,429,750
Less: unearned finance income	**4,009,802,563**	4,138,497,813
Net investment in the lease	**₱2,305,429,437**	₱2,267,931,937

The net investment in the lease consists of the present value of minimum lease payments amounting to ₱2,221.09 million. The Company derecognized the portion of investment property under finance lease amounting to ₱1,823.95 million. The Company also recognized interest income earned amounting to ₱37.50 million for the three months ended March 31, 2020 (see Notes 14 and 19; nil for the three months ended March 31, 2019).

The Company remains to be the legal owner of the portion of ANE building under finance lease.

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

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 19). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building commencing on February 1, 2020 for a period of 34 years. The agreement pertains to land and building lease of MECC. The rent is payable at a fixed monthly rate of ₱2.73 million, subject to 5% annual escalation rate.

The Company's contracts of lease for the land spaces that it occupies include dismantling provision clause at the option of the lessor. The Company did not recognize any asset retirement obligation as of the reporting date as the current assessment of the amount of outflow in dismantling the asset in the future is immaterial.

Set out below is the carrying amount of right-of-use asset recognized and the movements in 2020:

	2020 (Three Months)
Cost	
Balance at beginning of the period	₱–
Addition	853,150,009
Balance at end of the period	853,150,009
Accumulated Amortization	
Balance at beginning of the period	–
Amortization (Note 16)	4,069,627
Balance at end of the period	4,069,627
Net Book Value	₱849,080,382

The rollforward analysis of lease liability follows:

	2020 (Three Months)
Balance at beginning the period	₱–
Addition	853,150,009
Interest expense (Note 16)	9,140,598
Balance at the end of the period	862,290,607
Current lease liability	30,063,858
Noncurrent lease liabilities	₱832,226,749

The following are the amounts recognized in the interim statements of comprehensive income from the above lease agreements as lessee:

	2020 (Three Months)	2019 (Three Months)
Rent expense - variable lease payments (Note 16)	**₱27,380,539**	₱18,342,454
Depreciation expense of right-of-use asset (Note 16)	**4,069,627**	–
Accretion of interest expense (Note 16)	**9,140,598**	–
Total amounts recognized in the statement of income	**₱40,590,764**	₱18,342,454

Show below is the maturity analysis of the undiscounted lease payments:

	March 31, 2020
Less than three months	₱13,463,704
Three to twelve months	25,072,696
After one year but not more than five years	149,663,729
More than five years	2,759,671,401
	₱2,947,871,530

Right-of-use asset and lease liability recognized during the period pertains to new lease agreement for which lease payments are fixed. Prior to December 31, 2019, all lease contracts where the Company is a lessee have lease payment terms that is purely variable linked to future performance or use of the underlying asset, therefore no right-of-use asset is recognized.

18. Income Tax

Provision for (benefit from) income tax consists of:

	2020 (Three Months)	2019 (Three Months)
Current	**₱69,962,876**	₱45,065,186
Deferred	**(9,727,854)**	8,961,453
Final	**27,573**	4,852
	₱60,262,595	₱54,031,491

The current provision for income tax represents RCIT for the three months ended March 31, 2020 and 2019.

In 2020 and 2019, the Company availed of the optional standard deduction (OSD).

The components of net deferred tax assets (liabilities) follow:

	March 31, 2020	December 31, 2019
Deferred tax assets on:		
Lease liabilities	**₱154,228,401**	₱–
Advance rentals	**65,457,955**	60,317,256
Accrued expenses	**14,667,016**	10,395,708
Allowance for credit losses	**2,686,277**	1,379,685
	237,039,649	72,092,649
Deferred tax liabilities on:		
Right-of-use asset	**(152,834,469)**	–
Difference between finance and operating lease method	**(74,377,760)**	(72,894,340)
Excess of lease income over collections	**(67,331,888)**	(66,430,630)
	(₱57,504,468)	(₱67,232,321)

The reconciliation between the statutory income tax rate to the effective income tax rate shown in the interim statements of comprehensive income follows:

	2020	2019
Statutory income tax rate	**30.00%**	30.00%
Add (deduct) tax effect of:		
Nondeductible expenses	**3.58**	0.16
Nontaxable income	**(0.56)**	(4.17)
Deductible expenses due to use of OSD	**(13.68)**	(7.07)
Effective income tax rate	**19.34%**	18.92%

19. Related Party Transactions

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

Terms and Conditions of Transactions with Related Parties
The Company, in its regular conduct of business, has entered into transactions with related parties consisting of advances and 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. There have been no guarantees provided or received for any related party receivables or payables.
The following tables provide the total balances and amount of transactions that have been entered into with related parties for the relevant financial year:

	March 31, 2020			
Category	**Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Finance lease receivable				
Makati North Hotel Ventures, Inc. (j)	**₱–**	**₱2,305,429,437**	**Noninterest-bearing; Payable quarterly**	**Unsecured; No impairment**
Due from related parties				
Parent Company				
Ayala Land, Inc. (a) (b)	**23,007,500**	**476,591,815**	**Interest-bearing and noninterest-bearing; Due and demandable**	**Unsecured; No impairment**
Affiliates*				
Bay City Commercial Ventures Corp. (b)	**40,515,933**	**427,407,455**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Central Block Developers, Inc. (b)	**200,572,039**	**316,181,938**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Amaia Land Corp. (b)	**–**	**171,253,613**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Arvo Commercial Corporation (b)	**66,422,589**	**146,962,484**	**Interest-bearing; On demand**	**Unsecured; No impairment**
HLC Development Corporation (b) (c)	**591,040**	**120,235,940**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Capitol Central Commercial Ventures Corp. (b)	**40,674,594**	**72,015,154**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Crans Montana Property Holdings Corporation (b)	**1,545,551**	**50,140,204**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Arca South Commercial Ventures Corp. (b)	**41,870,392**	**41,870,392**	**Interest-bearing; On demand**	**Unsecured; No impairment**
ALI Triangle Hotel Ventures, Inc. (b)	**419,071**	**41,608,549**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Soltea Commercial Corp. (b)	**245,843**	**38,034,536**	**Interest-bearing; On demand**	**Unsecured; No impairment**

(Forward)

Category	Volume	Outstanding Balance	Terms	Conditions
		March 31, 2020		
Finance lease receivable				
Makati North Hotel Ventures, Inc. (j)	**₱–**	**₱2,305,429,437**	**Noninterest-bearing; Payable quarterly**	**Unsecured; No impairment**
Bank of the Philippine Islands (g)	**–**	**34,668,803**	**Noninterest-bearing; On demand**	**Unsecured; No impairment**
Sunnyfield E-Office Corp. (b)	**–**	**25,289,844**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Leisure and Allied Industries Phils. Inc. (b)	**20,059,400**	**20,059,400**	**Interest-bearing; On demand**	**Unsecured; No impairment**
First Gateway Real Estate Corp. (h)	**–**	**8,432,222**	**Noninterest-bearing; On demand**	**Unsecured; No impairment**
Cebu Holdings, Inc. (b)	**–**	**5,059,141**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Ayalaland Logistics Holdings Corp (b)	**–**	**4,989,801**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Others**	**1,000,677**	**6,872,668**	**Interest and Noninterest-bearing; On demand**	**Unsecured; No impairment**
		₱2,007,673,959		

**Entities under common control*
***Entities with outstanding balances below* ₱2.00 million

Category	Volume	Outstanding Balance	Terms	Conditions
		March 31, 2020		
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	**₱40,120,265**	**₱225,162,436**	**Noninterest-bearing, due and demandable**	**Unsecured**
Affiliates*				
HLC Development Corporation (c)	**17,225,490**	**22,874,031**	**Noninterest-bearing; On demand**	**Unsecured**
Ayala Property Management, Corp. (e)	**3,990,470**	**8,209,410**	**Noninterest-bearing; On demand**	**Unsecured**
Direct Power Services, Inc. (d)	**–**	**3,968,475**	**Noninterest-bearing; On demand**	**Unsecured**
AyalaLand Offices, Inc. (f)	**–**	**2,922,779**	**Noninterest-bearing; On demand**	**Unsecured**
Makati Development Corp.	**–**	**2,019,459**	**Noninterest-bearing; On demand**	**Unsecured**
Others**	**337,929**	**1,326,324**	**Noninterest-bearing; On demand**	**Unsecured**
		₱266,482,914		

**Entities under common control*
***Entities below* ₱2.00 million

Category	Volume	Outstanding Balance	Terms	Conditions
		December 31, 2019		
Finance lease receivable				
Makati North Hotel Ventures, Inc. (j)	₱2,267,931,937	₱2,267,931,937	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	75,070,139	514,752,540	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Bay City Commercial Ventures Corp. (b)	386,891,522	386,891,522	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	319,356,979	170,643,021	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	119,644,900	119,644,900	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	50,309,899	115,609,899	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	100,217,708	100,217,708	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	43,715,380	80,539,895	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	48,594,653	48,594,653	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	5,218,238	42,018,238	Interest-bearing; On demand	Unsecured; No impairment

(Forward)

Category	Volume	Outstanding Balance	Terms	Conditions
	December 31, 2019			
ALI Triangle Hotel Ventures, Inc. (b)	41,189,478	41,189,478	Interest-bearing; On demand	Unsecured; No impairment
Bank of the Philippine Islands (h)	38,190,369	38,190,369	Noninterest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	37,788,693	37,788,693	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	31,340,560	31,340,560	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	9,628,326	25,371,674	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	1,089,157	21,722,132	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	12,026,125	13,582,349	Interest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (h)	111,608,067	7,491,933	Noninterest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	5,688,274	5,688,274	Interest-bearing; On demand	Unsecured; No impairment
Others**	5,415,182	2,611,784	Interest-bearing and noninterest-bearing; On demand	Unsecured; No impairment
		₱1,803,889,622		

**Entities under common control*
***Entities below* ₱2.00 million

Category	Volume	Outstanding Balance	Terms	Conditions
	December 31, 2019			
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱62,736,563	₱153,545,941	Noninterest-bearing, due and demandable	Unsecured
Afiliates*				
Direct Power Services, Inc. (d)	5,811,587	10,334,751	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation (c)	5,648,541	5,648,541	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (e)	3,592,279	4,218,940	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (f)	2,549,092	2,922,779	Noninterest-bearing; On demand	Unsecured
Makati Development Corp.	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Others**	1,452,570	1,060,707	Noninterest-bearing; On demand	Unsecured
		₱179,751,118		

**Entities under common control*
***Entities below* ₱2.00 million

The following describes the nature of the material transactions of the Company with related parties in 2020 and 2019:

(a) The Company's intercompany receivable from ALI pertains to collection by ALI of lease payments of tenants on behalf of the Company amounting to ₱29.63 million as of March 31, 2020 and December 31, 2019 and payment of operating expenses for and on behalf of ALI amounting to nil and ₱0.02 million, as of March 31, 2020 and December 31, 2019, respectively.

ALI handles the lease management and marketing functions including key management personnel services for the Company and is entitled to receive a management fee. The Company recognized management fees amounting to ₱5.0 million for the three months ended March 31, 2020 and 2019 (see Note 16).

The Company entered into a contract of lease with ALI to occupy a parcel of land where the building is located. The Company recognized "Land lease" under "Direct operating expenses" in the interim statements of comprehensive income amounting to ₱9.35 million and ₱9.29 million for the three months ended March 31, 2020 and 2019, respectively (see Note 16).

ALI allocated system costs amounting to ₱0.13 million and ₱0.42 million for the three months ended March 31, 2020 and 2019, respectively (see Note 16).

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

On February 1, 2020, ALI transferred the advance rent, security deposits and initial direct cost incurred for existing tenants of MECC property amounting to ₱75.09 million. Furthermore, payable amounting to ₱9.14 million as of March 31, 2020 pertain to expenses paid by ALI on behalf of AREIT for MECC operations.

(b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 3.89% to 4.33%, per annum in 2020 and 2019, respectively.

The Company recognized interest income amounting to ₱14.48 million and ₱20.12 million for the three months ended March 31, 2020 and 2019, respectively (see Note 15).

Documentary stamp tax is paid by the borrowers at the time of the loan.

(c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a parcel of land to the Company. The Company recognized “Land lease” under “Direct operating expenses” in the interim statements of comprehensive income amounting to ₱18.03 million and ₱9.05 million for the three months ended March 31, 2020 and 2019, respectively (see Note 16).

(d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱13.81 million and ₱17.95 million for the three months ended March 31, 2020 and 2019, of which the remaining payable amounted to ₱3.98 million as of March 31, 2020 and ₱10.33 million as of December 31, 2019.

(e) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year’s rate provided, that, during the term, the occupancy rate of the building shall be 85% or above. If the occupancy rate is below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget process. In the event no such approval is obtained, the management fee prevailing for the immediately preceding year shall apply. The Company recognized management fees amounting to ₱4.25 million and ₱3.84 million for the three months ended March 31, 2020 and 2019, respectively (see Note 16).

(f) The Company’s intercompany payable to ALOI pertains to the outstanding balance of accounting shared and legal services billed on behalf of the Company. The Company recognized accounting shared services in “Others” under “Direct operating expenses” in the interim statements of comprehensive income amounting to ₱0.35 million for the three months ended March 31, 2019 (nil for the three months ended March 31, 2020).

(g) Bank of the Philippine Islands, an associate of AC, is a lessee of the Company. The Company recognized “Rental Income” in the interim statements of comprehensive income amounting to ₱29.69 million and ₱18.85 million for the three months ended March 31, 2020 and 2019, respectively, of which the remaining receivable amounted to ₱34.67 million and ₱38.19 million as of March 31, 2020 and December 31, 2019.

(h) First Gateway Real Estate Corporation (FGREC), a subsidiary of AyalaLand Offices, Inc. (ALOI), is a lessee of the Company. The Company recognized “Rental Income” in the interim statements of comprehensive income amounting to ₱2.49 million and nil for the three months ended March 31, 2020 and 2019.

(i) The Company’s intercompany receivable from ALI pertains to payment of operating expenses for and on behalf of FGREC amounting to ₱0.07 million in 2019 (nil in 2020).

(j) This pertains to the receivable arising from lease agreement with MNHVI in September 2019 (see Note 17). The Company recognized finance lease receivable amounting to ₱2,305.43 million (see Note 5). This includes interest income accretion amounting to ₱37.50 million for the three months ended March 31, 2020 (see Note 14).

Cash in bank
The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to ₱92.03 million and ₱70.61 million as of March 31, 2020 and December 31, 2019, respectively (see Note 4). Interest income earned from these deposits amounted to ₱25,565 and ₱13,461 for the three months ended March 31, 2020 and 2019, respectively (see Note 15).

Compensation of Key Management Personnel
The key management functions of the Company are handled by ALI which charges the Company management fees for such services (see item (a) above).

20. Financial Assets and Liabilities

Fair Value Information
Except for the Company’s security deposits, 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.

	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
Security deposits	**₱343,979,720**	**₱354,430,046**	₱314,447,416	₱335,432,923

Fair Value Hierarchy
As of March 31, 2020, and December 31, 2019, the Company has no financial instrument measured at fair value. As of March 31, 2020, and December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

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

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as of March 31, 2020 and December 31, 2019 are shown below:

	Valuation technique	**Significant unobservable inputs**	**Range**	**Sensitivity of the input to fair value**
Security deposits	DCF Method	Discount rate	2020: 3.14%-4.75% 2019: 0.10%-4.36%	Increase (decrease) in the discount would decrease (increase) the fair value

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

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

Exposure to 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.

ALI's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As of March 31, 2020, and December 31, 2019, 59.26% and 69.08% of the Company's trade receivables are covered by security deposits, respectively. Trade receivables include receivables as a result of straight-line method amounting to ₱374.07 million and ₱369.06 million as of March 31, 2020 and December 31, 2019, respectively. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. The resulting ECL of ₱14.92 million and ₱7.66 million as of March 31, 2020, and December 31, 2019 pertains to receivables aged over 360 days.

As of March 31, 2020, and December 31, 2019, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

The Company has applied the simplified approach and has calculated ECLs based on lifetime ECL for finance lease receivable. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of March 31, 2020 and December 31, 2019, ECL related to the Company's finance lease receivable is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty and the counterparty is of good credit standing.

The Company did not provide any allowance for credit loss relating to receivables from related parties since there is no history of default in payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The Company's maximum exposure to credit risk as of March 31, 2020 and December 31, 2019 is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details follow:

	March 31, 2020			
	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Cash in banks	**₱187,181,434**	**₱–**	**₱187,181,434**	**₱–**
Receivables				
Finance lease receivable	**2,305,429,437**	**2,656,169,000**	**–**	**2,305,429,437**
Due from related parties	**2,007,673,959**	**–**	**2,007,673,959**	**–**
Trade receivables	**531,722,050**	**354,430,046**	**216,598,282**	**315,123,768**
Other receivables	**669,008**	**–**	**669,008**	**–**
	₱5,032,675,888	**₱3,010,599,046**	**₱2,412,122,683**	**₱2,620,553,205**

	December 31, 2019			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱122,158,106	₱–	₱122,158,106	₱–
Receivables				
Finance lease receivable	2,267,931,937	2,461,200,000	–	2,267,931,937
Due from related parties	1,803,889,622	–	1,803,889,622	–
Trade receivables	486,947,707	335,432,923	153,486,192	333,461,515
Other receivables	374,307	–	374,307	–
	₱4,681,301,679	₱2,796,632,923	₱2,079,908,227	₱2,601,393,452

The credit quality of the financial assets was determined as follows:

Cash in banks - based on the nature of the counterparty and the Company's internal rating system.

Receivables - high grade pertains to receivables from counterparties with no default in payment; medium grade pertains to receivables from counterparties with up to three (3) defaults in payment; and low grade pertains to receivables from counterparties with more than three (3) defaults in payment.

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

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

	March 31, 2020			
	< 1 year	**1 to 5 years**	**> 5 years**	**Total**
Financial assets				
Cash in banks	**₱167,305,492**	**₱–**	**₱–**	**₱167,305,492**
Receivables				
Finance lease receivable	**406,560,000**	**650,496,000**	**5,258,176,000**	**6,315,232,000**
Due from related parties	**2,007,673,959**	**–**	**–**	**2,007,673,959**
Trade receivables*	**174,500,397**	**206,664,706**	**135,633,188**	**516,798,291**
Other receivables	**669,008**	**–**	**–**	**669,008**
	₱2,756,708,856	**₱857,160,706**	**₱5,393,809,188**	**₱9,007,678,750**
Financial liabilities				
Accounts and other payables				
Due to related parties	**₱266,482,914**	**₱–**	**₱–**	**₱266,482,914**
Accrued expenses	**81,483,424**	**–**	**–**	**81,483,424**
Accounts payable	**10,826,488**	**–**	**–**	**10,826,488**
Retention payable	**785,200**	**–**	**–**	**785,200**
Construction bonds	**12,799,901**	**–**	**–**	**12,799,901**
Security deposits	**261,220,954**	**82,758,766**	**–**	**343,979,720**
Lease liability	**38,536,400**	**149,663,729**	**2,759,671,401**	**2,947,871,530**
	₱672,135,281	**₱232,422,495**	**₱2,759,671,401**	**₱3,664,229,177**

**net of allowance for credit losses*

	December 31, 2019			
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in banks	₱122,158,106	₱–	₱–	₱122,158,106
Receivables				
Finance lease receivable	203,280,000	650,496,000	5,552,653,750	6,406,429,750
Due from related parties	1,803,889,622	–	–	1,803,889,622
Trade receivables*	145,217,999	204,213,454	129,851,337	479,282,790
Other receivables	374,307	–	–	374,307
	₱2,274,920,034	₱854,709,454	₱5,682,505,087	₱8,812,134,575
Financial liabilities				
Accounts and other payables				
Due to related parties	₱179,751,118	₱–	₱–	₱179,751,118
Accrued expenses	50,952,151	–	–	50,952,151
Accounts payable	29,755,899	–	–	29,755,899
Retention payable	785,200	–	–	785,200
Construction bonds	11,105,498	–	–	11,105,498
Security deposits	84,729,181	229,718,235	–	314,447,416
	₱357,079,047	₱229,718,235	₱–	₱586,797,282

**net of allowance for credit losses*

21. Earnings Per Share

The Company's earnings per share for the three months ended 2020 and 2019 were computed as follows:

	2020	2019
Net income	**₱251,819,963**	₱232,827,026
Weighted average number of common shares	**977,792,435**	977,792,435
Basic/Diluted earnings per share	**₱0.26**	₱0.24

The Company also assessed that there were no potential dilutive common shares as of March 31, 2020 and 2019.

22. Segment Reporting

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

The Company's three-building lease operation is its only income-generating activity, and such is the measure used by the Chief Operating Decision Maker in allocating resources.

There were revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱92.44 million and ₱63.41 million for the three months ended March 31, 2020.

23. Notes to Interim Statements of Cash Flow

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

Operating
- Receivable from ALI amounting to ₱75.09 million pertains to security deposits, advance rentals, and fixed charges collected from MECC tenants.
- Interest income from finance lease receivables amounting to ₱37.50 million for three months ended March 31, 2020 (see Notes 14, 17, 19; nil for the three months ended March 31, 2019).
- Interest expense arising from accretion of security deposit amounting to ₱9.63 million and ₱12.56 million in 2020 and 2019, respectively (see Notes 11 and 16).

Investing
- Movement in intercompany loans presented under investing activities amounting to ₱169.30 million and ₱584.71 million for the three months ended March 31, 2020 and 2019 respectively, is a movement in "Receivables" account that is presented under operating activities.
- Recognition of right-of-use asset and lease liability amounting to ₱853.15 million each.

24. Event After Financial Reporting Date

Impact of COVID-19
As at March 31, 2020, the Company had three (3) office and retail building spaces for lease, of which the retail merchants were temporarily closed due to the COVID-19 pandemic. As COVID-19 pandemic-related lockdowns and restrictions were gradually lifted in June 1, 2020, the Company allowed establishments to re-open and the number of retail spaces that were temporarily closed was reduced by nine (9) and fifteen (15) as at April 30, 2020 and May 31, 2020. For retail building spaces that have reopened, the Company is seeing tenants gradually return although still not at pre-COVID-19 pandemic levels. Office spaces remain to be operating during the aforementioned periods.

Since the start of the COVID-19 pandemic, the Company as a lessor has only granted rental reliefs to certain retail tenants and the Company has continuously collected rental receivable from its office tenants. Reliefs granted for the months of April, May, and June 2020 amounted to ₱7.39 million, ₱3.93 million and ₱2.94 million, respectively.

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1226 Makati City
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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited the interim financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company) as at March 31, 2020, and for the three months ended March 31, 2020 and 2019, on which we have rendered the attached report dated June 23, 2020.

In compliance with Revised Securities Regulation Code Rule No. 68, we are stating that the Company has two (2) stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

June 23, 2020

SGV
Building a better working world

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1226 Makati City
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the interim financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company) as at March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019 and have issued our report thereon dated June 23, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Interim Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

June 23, 2020

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
March 31, 2020

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱75,284,077	₱75,284,077	₱112,300
Bank of Philippine Islands	111,897,357	111,897,357	25,565
	187,181,434	187,181,434	137,865
Receivables			
Related parties	4,313,103,396	4,313,103,396	14,480,671
Third parties	531,722,050	531,722,050	–
Others	669,006	669,006	–
	4,845,494,452	4,845,494,452	14,480,671
	₱5,032,675,886	₱5,032,675,886	₱14,618,536

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
MARCH 31, 2020

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
MARCH 31, 2020

	Receivable Balance	Payable Balance	Current portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
MARCH 31, 2020

Long-term Debt			
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “current portion of long-term” in related balance sheet	Amount shown under caption “long-term debt” in related balance sheet
N/A	N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
MARCH 31, 2020

Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
MARCH 31, 2020

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

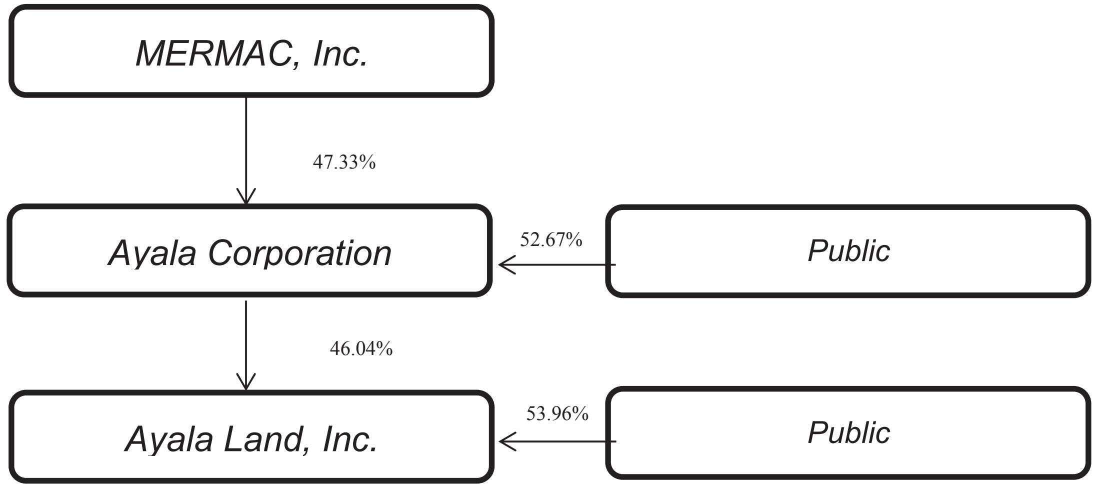
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
MARCH 31, 2020

		Capital Stock				
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	1,174,000,000	977,792,435	–	977,792,428	7	–

SCHEDULE H

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

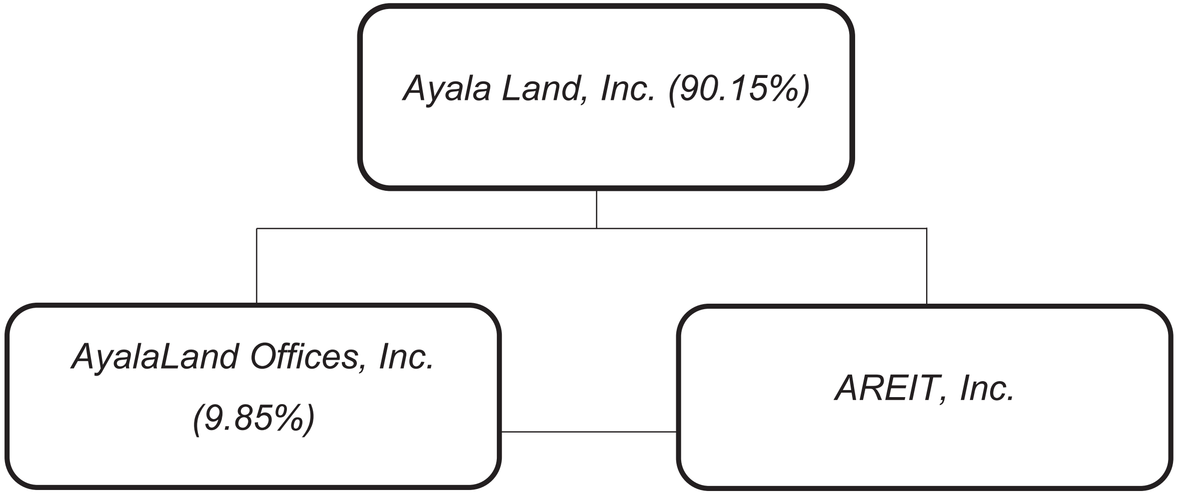
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
MARCH 31, 2020



SCHEDULE H

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
MARCH 31, 2010



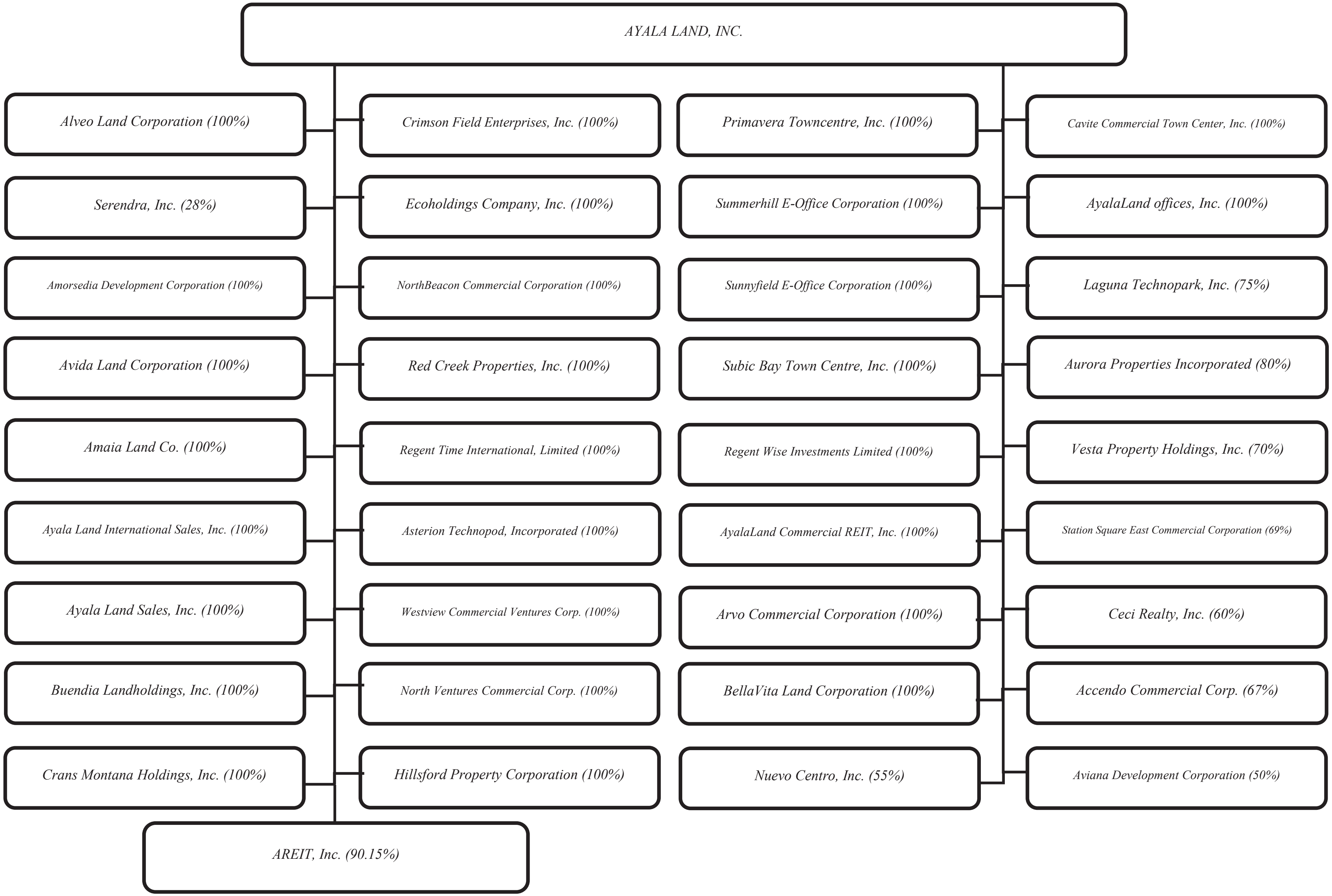
AYALA LAND, INC.

- *Cagayan de Oro Gateway Corp. (70%)*
- *Soltea Commercial Corp. (60%)*
- *CMPI Holdings, Inc. (60%)*
- *ALI-CII Development Corporation (50%)*
- *Roxas Land Corporation (50%)*
- *Ten Knots Phils, Inc. (60%)*
- *ALInet.com, Inc. (100%)*
- *Varejo Corp. (100%)*
- *ALI Commercial Center Inc. (100%)*

- *Adauge Commercial Corporation (60%)*
- *Southgateway Development Corp. (100%)*
- *Ayalaland MetroNorth, Inc. (100%)*
- North Triangle Depot Commercial Corp. (73%)
- *BGWest Properties, Inc. (50%)*
- *Ten Knots Development, Corp. (60%)*
- *First Longfield Investments Limited (100%)*
- *Ayala Land Malls, Inc. (100%)*
- *Cebu Holdings Inc. (50%)*

- *Alabang Commercial Corporation (50%)*
- *Makati Development Corporation (100%)*
- *Ayala Hotels, Inc. (50%)*
- *AyalaLand Hotels and Resorts Corp. (100%)*
- *Lagdigan Land Corp. (60%)*
- *Southportal Properties Inc. (65%)*
- *Aprisa Business Process Solutions, Inc. (100%)*
- *Verde Golf Development Corporation (100%)*
- *AREIT, Inc. (90.15%)*

- *Ayala Property Management Corp. (100%)*
- *Ayala Theatres Management, Inc. & S. (100%)*
- *DirectPower Services, Inc. (100%)*
- *Phil. Integrated Energy Solutions, Inc. (100%)*
- *Five Star Cinema, Inc. (100%)*
- *Leisure and Allied Industries Philippines, Inc. (50%)*
- *AyalaLand Club Management, Inc. (100%)*
- *Whiteknight Holdings, Inc. (100%)*


AYALA LAND, INC.
Alveo Land Corporation (100%)
Serendra, Inc. (28%)
Amorsedia Development Corporation (100%)
Avida Land Corporation (100%)
Amaia Land Co. (100%)
Ayala Land International Sales, Inc. (100%)
Ayala Land Sales, Inc. (100%)
Buendia Landholdings, Inc. (100%)
Crans Montana Holdings, Inc. (100%)
AREIT, Inc. (90.15%)
Crimson Field Enterprises, Inc. (100%)
Ecoholdings Company, Inc. (100%)
NorthBeacon Commercial Corporation (100%)
Red Creek Properties, Inc. (100%)
Regent Time International, Limited (100%)
Asterion Technopod, Incorporated (100%)
Westview Commercial Ventures Corp. (100%)
North Ventures Commercial Corp. (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office Corporation (100%)
Subic Bay Town Centre, Inc. (100%)
Regent Wise Investments Limited (100%)
AyalaLand Commercial REIT, Inc. (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
Nuevo Centro, Inc. (55%)
Cavite Commercial Town Center, Inc. (100%)
AyalaLand offices, Inc. (100%)
Laguna Technopark, Inc. (75%)
Aurora Properties Incorporated (80%)
Vesta Property Holdings, Inc. (70%)
Station Square East Commercial Corporation (69%)
Ceci Realty, Inc. (60%)
Accendo Commercial Corp. (67%)
Aviana Development Corporation (50%)

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
MARCH 31, 2020

Unappropriated Retained Earnings, beginning		₱1,022,804,424
Less: Deferred tax assets		72,092,649
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		950,711,775
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	₱251,819,963	
Less: Non-actual/unrealized income net of tax		
Amount of provision for deferred tax during the period	(164,947,000)	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	–	
Fair Value adjustment (M2M gains)	–	
Fair Value adjustments of Investment Properties resulting to gain adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the Retained Earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total	86,872,963	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	·	
Adjustments due to deviation from PFRS/GAAP - loss	·	
Loss on fair value adjustments of Investment Properties (after tax)	·	
Net income Actual/Realized		86,872,963
Add (Less):		
Dividend declarations during the year	·	
Appropriations of Retained Earnings during the period	·	
Reversals of appropriations	·	
Effects of prior period adjustments	·	
Treasury shares	·	
		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱1,037,584,738

SyCip Gorres Velayo & Co.
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October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the interim financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company) as at March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019 and have issued our report thereon dated June 23, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's interim financial statements as at March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125272, January 7, 2020, Makati City

June 23, 2020

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2020

Ratio	Formula	March 31, 2020	December 31, 2019
Current ratio	Current assets / Current liabilities	**4.40**	**4.34**
Acid test ratio	Quick assets / Current liabilities (Quick assets includes cash)	**0.27**	**0.23**
Solvency ratio	EBITDA / Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	**0.00**	**0.00**
Debt-to-equity ratio	Total debt / Stockholders' equity	**0.00**	**0.00**
Asset-to-equity ratio	Total assets / Stockholders' equity	**1.20**	**1.11**
Interest rate coverage ratio	EBITDA / Interest expense	**19.59**	**100.04**
Return on equity	Net income / Average total stockholders' equity	**0.02**	**0.12**
Return on assets	Net income after tax / Average total assets	**0.02**	**0.11**
Net profit margin	Net income / Total revenue	**0.56**	**0.83**

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AREIT, Inc.** (the Company**)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein as of and for the years ended December 31, 2019, 2018 and 2017, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders as of and for the years ended December 31, 2019, 2018 and 2017, respectively, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Jose Emmanuel H. Jalandoni
Chairman of the Board

Carol T. Mills
President

Elaine Marie F. Alzona
Chief Finance Officer

Signed this 19th day of March 2020

SUBSCRIBED AND SWORN to before me this _____________, at Makati City, affiants exhibiting to me their competent evidence of identity, to wit:

Name	Competent Evidence of Identity	Date & Place of Issued
Jose Emmanuel H. Jalandoni		
Carol T. Mill		
Elaine Marie F. Alzona		

Doc. No. ______;
Page No. ______;
Book No. _____;
Series of 2020.

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2019, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
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January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
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March 19, 2020

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited the financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company) as at December 31, 2019, 2018 and 2017 and for the years then ended, on which we have rendered the attached report dated March 19, 2020.

In compliance with Revised Securities Regulation Code Rule No. 68, we are stating that the Company has two (2) stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company) as at December 31, 2019, 2018 and 2017 and for the years then ended and have issued our report thereon dated March 19, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (the Company) as at December 31, 2019, 2018 and 2017 and for the years then ended and have issued our report thereon dated March 19, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019, 2018 and 2017 and for the years then ended and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
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March 19, 2020

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)
STATEMENTS OF FINANCIAL POSITION

	December 31		
	2019	2018	2017
ASSETS			
Current Assets			
Cash (Notes 4 and 20)	**₱122,180,606**	₱26,129,103	₱17,168,024
Receivables (Notes 5 and 20)	**1,994,499,843**	2,010,998,343	447,646,526
Other current assets (Note 6)	**157,602,667**	118,498,358	73,316,117
Total Current Assets	**2,274,283,116**	2,155,625,804	538,130,667
Noncurrent Assets			
Noncurrent portion of receivables (Notes 5 and 20)	**2,556,978,813**	209,417,570	86,773,563
Investment properties (Note 7)	**6,192,374,393**	8,188,049,035	1,155,750,359
Property and equipment (Note 8)	**20,089**	51,493	115,655
Deferred tax assets - net (Note 18)	**–**	24,693,950	23,202,995
Other noncurrent assets (Note 6)	**968,057,313**	1,001,815,948	192,509,107
Total Noncurrent Assets	**9,717,430,608**	9,424,027,996	1,458,351,679
	₱11,991,713,724	₱11,579,653,800	₱1,996,482,346
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 9 and 20)	**₱274,477,842**	₱345,208,031	₱54,085,373
Current portion of deposits and other liabilities (Notes 11 and 20)	**166,793,502**	30,521,231	9,154,209
Income tax payable	**71,241,649**	58,587,947	21,351,451
Construction bonds (Notes 10 and 20)	**11,105,498**	2,738,439	2,799,751
Total Current Liabilities	**523,618,491**	437,055,648	87,390,784
Noncurrent Liabilities			
Deposits and other liabilities - net of current portion (Notes 11 and 20)	**600,134,138**	641,982,196	248,215,008
Deferred tax liabilities - net (Note 18)	**67,232,321**	–	–
Total Noncurrent Liabilities	**667,366,459**	641,982,196	248,215,008
Total Liabilities	**1,190,984,950**	1,079,037,844	335,605,792
Equity (Note 12)			
Paid-up capital	**10,451,224,050**	10,451,224,050	1,636,224,000
Treasury shares	**(673,299,700)**	(673,299,700)	(653,299,700)
Retained earnings	**1,022,804,424**	722,691,606	677,952,254
Total Equity	**10,800,728,774**	10,500,615,956	1,660,876,554
	₱11,991,713,724	₱11,579,653,800	₱1,996,482,346

See accompanying Notes to Financial Statements.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Rental income (Notes 7, 13 and 17)	**₱1,323,922,868**	₱696,017,710	₱551,966,359
Dues (Notes 7 and 14)	**192,320,957**	169,314,125	146,235,433
	1,516,243,825	865,331,835	698,201,792
COSTS AND EXPENSES			
Direct operating expenses (Notes 7 and 16)	**436,017,048**	181,014,314	145,442,372
General and administrative expenses (Note 16)	**14,181,546**	4,174,082	5,714,070
	450,198,594	185,188,396	151,156,442
OTHER INCOME (CHARGES) - Net			
Gain under finance lease (Notes 15 and 17)	**397,139,330**	–	–
Interest income (Notes 4, 15 and 19)	**105,099,448**	17,172,535	10,055,681
Interest expense (Notes 11 and 16)	**(12,562,538)**	(16,810,309)	(4,015,867)
Other income (Note 15)	**137,200**	357,743	576,752
	489,813,440	719,969	6,616,566
INCOME BEFORE INCOME TAX	**1,555,858,671**	680,863,408	553,661,916
PROVISION FOR INCOME TAX (Note 18)	**294,448,184**	143,772,034	106,881,155
NET INCOME	**1,261,410,487**	537,091,374	446,780,761
OTHER COMPREHENSIVE INCOME	**–**	–	–
TOTAL COMPREHENSIVE INCOME	**₱1,261,410,487**	₱537,091,374	₱446,780,761
Basic/Diluted Earnings Per Share (Note 21)	**₱1.29**	₱3.16	₱4.64

See accompanying Notes to Financial Statements.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)
STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2019	2018	2017
PAID-UP CAPITAL (Note 12)			
Common Shares - ₱10 par value in 2019 and 2018 and ₱1 par value in 2017			
Balance at beginning and end of year	**₱10,451,224,050**	₱12,924,300	₱12,924,300
Conversion of preferred shares	**–**	1,623,299,700	–
Issuance of new shares	**–**	8,815,000,050	–
Balance at end of year	**10,451,224,050**	10,451,224,050	12,924,300
Preferred Shares - ₱1 par value			
Balance at beginning of year	**–**	1,623,299,700	1,623,299,700
Conversion to common shares	**–**	(1,623,299,700)	–
Issuance of new shares	**–**	–	–
Balance at end of year	**–**	–	1,623,299,700
	10,451,224,050	10,451,224,050	1,636,224,000
TREASURY SHARES (Note 12)			
Balance at beginning of year	**(673,299,700)**	(653,299,700)	(633,299,700)
Redemption of shares	**–**	(20,000,000)	(20,000,000)
Balance at end of year	**(673,299,700)**	(673,299,700)	(653,299,700)
RETAINED EARNINGS (Note 12)			
Balance at beginning of year	**722,691,606**	677,952,254	593,671,493
Total comprehensive income/Net income	**1,261,410,487**	537,091,374	446,780,761
Share issuance costs	–	(108,352,022)	–
Cash dividends	**(961,297,669)**	(384,000,000)	(362,500,000)
Balance at end of year	**1,022,804,424**	722,691,606	677,952,254
	₱10,800,728,774	₱10,500,615,956	₱1,660,876,554

See accompanying Notes to Financial Statements.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,555,858,671**	₱680,863,408	₱553,661,916
Adjustments for:			
Depreciation (Notes 7, 8 and 16)	**190,607,039**	76,009,715	47,322,616
Interest expense (Notes 11 and 16)	**12,562,538**	16,810,309	4,015,867
Gain under finance lease (Note 17)	**(397,139,330)**	–	–
Interest income (Notes 4, 15 and 19)	**(105,099,448)**	(17,172,535)	(10,055,681)
Operating income before working capital changes	**1,256,789,470**	756,510,897	594,944,718
Changes in operating assets and liabilities:			
Increase in:			
Receivables	**(262,130,803)**	(179,870,857)	(41,003,877)
Other assets	**(5,345,676)**	(854,489,082)	(24,313,679)
Increase (decrease) in:			
Accounts and other payables	**(79,193,659)**	205,735,959	(27,634,109)
Deposits and other liabilities	**81,861,675**	(9,990,617)	13,904,290
Construction bonds	**8,367,056**	(61,309)	(761,531)
Cash generated from (used in) operations	**1,000,348,063**	(82,165,009)	515,135,812
Interest received	**58,261,841**	17,172,535	10,055,681
Income tax paid	**(189,868,211)**	(108,026,492)	(104,032,309)
Net cash flows provided by (used in) operating activities	**868,741,693**	(173,018,966)	421,159,184
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in due from related parties (Notes 19 and 23)	**199,000,000**	(1,097,810,451)	(49,875,945)
Payments for additions to:			
Investment properties (Note 7)	**(10,392,521)**	(7,022,857,532)	(4,240,980)
Property and equipment (Note 8)	–	–	(40,179)
Net cash flows provided by (used in) investing activities	**188,607,479**	(8,120,667,983)	(54,157,104)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of dividends (Note 12)	**(961,297,669)**	(384,000,000)	(362,500,000)
Net proceeds from issuance of shares (Note 12)	–	8,706,648,028	–
Redemption of shares (Note 12)	–	(20,000,000)	(20,000,000)
Net cash flows provided by (used in) financing activities	**(961,297,669)**	8,302,648,028	(382,500,000)
NET INCREASE (DECREASE) IN CASH	**96,051,503**	8,961,079	(15,497,920)
CASH AT BEGINNING OF YEAR	**26,129,103**	17,168,024	32,665,944
CASH AT END OF YEAR (Note 4)	**₱122,180,606**	₱26,129,103	₱17,168,024

See accompanying Notes to Financial Statements.

NOTES TO 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 with a corporate life of 50 years. The Company was organized primarily to engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations and other applicable laws, which business 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.

In 2018, the Company became 90.15%-owned by Ayala Land Inc. (ALI) and 9.85%-owned by AyalaLand Offices, Inc. (ALOI) after the additional capital subscription from ALI (see Note 12). Previously, the Company was a wholly owned subsidiary of ALOI.

ALOI is a wholly owned subsidiary of ALI. ALI's parent is Ayala Corporation (AC). AC is 47.33%-owned by Mermac, Inc. and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

The 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 operational and administrative functions of the Company are handled by ALI (see Note 19).

On September 26, 2018, the Board of Directors (BOD) approved the acquisition of the Ayala North Exchange (ANE) property from ALI through execution of a deed of assignment (see Notes 7 and 19).

On April 12, 2019, the SEC approved the change in the Company's name from One Dela Rosa Property Development, Inc. to AyalaLand REIT, Inc. Subsequently, on June 28, 2019, the SEC further approved the change in the Company's name from AyalaLand REIT, Inc. to AREIT, Inc.

The accompanying financial statements were approved and authorized for issue by the BOD on March 19, 2020.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying financial statements of the Company have been prepared for inclusion in the prospectus in relation to a planned capital-raising activity.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will also be required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Company adopted PFRS 16 using the modified retrospective approach with the date of initial application of January 1, 2019. Under this method, the Company does not restate comparative figures, which continues to be presented under PAS 17, *Leases*. Instead, the cumulative effect of initially applying the standard, if any, is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate at the date of initial application (i.e., January 1, 2019). The Company elected to use the transition's practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 at the date of initial application.

  The adoption of PFRS 16 did not have significant impact to the statement of financial position as at January 1, 2019, and financial performance and cash flows of the Company for the year ended December 31, 2019 since the lease payments of the Company to the lessors under its existing lease contracts are purely variable which are linked to the future performance or use of the underlying assets. Accordingly, the Company did not recognize a right-of-use asset and lease liabilities in accordance with PFRS 16.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Company's assessment, it has no material uncertain tax treatments. Accordingly, the adoption of this Interpretation has no significant impact on the financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  These amendments are not applicable to the Company.

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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification
The Company presents assets and liabilities in the statements of financial position based on a current and noncurrent classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;

- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash
Cash includes cash on hand and in banks. Cash in banks are stated at face amounts and earn interest at the prevailing bank deposit rates.

Significant accounting policy on January 1, 2018

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost include cash in banks and receivables.

The Company has no financial assets under FVOCI with or without recycling and FVTPL categories.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include accounts and other payables, security deposits and construction bonds.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. This category generally applies to accounts and other payables, deposits and other liabilities.

Derecognition of Financial Instruments

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

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

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

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

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

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

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

For trade receivables and finance lease receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

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

Level 1: - quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: - valuation techniques for which the lowest level input that it is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

Significant accounting policy prior to January 1, 2018

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The Company classifies its financial liabilities into financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market.

The Company determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2017, the financial instruments of the Company are of the nature of loans and receivables and other financial liabilities.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the statement of financial position captions "Cash" and "Receivables".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The amortization is included in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

Loans and receivables are included in current assets if maturity is within 12 months or when the Company expects to realize or collect within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the statement of financial position captions “Accounts and other payables” (except statutory liabilities), “Security deposits” under “Deposits and other liabilities” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Deposits and other liabilities
Deposits and other liabilities which includes accrued rent and security deposits that are initially measured at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using effective interest method. Accrued rent is recognized for the difference between the straight-line recognition of rent income for financial reporting purposes and the rental income due for the year based on contract terms.

The difference between the cash received and its fair value is deferred (included in the “Deferred credits” under “Deposits and other liabilities” account in the statement of financial position) and amortized using the straight-line method and recognized as “Amortization of deferred credits” under the “Rental income” account in profit or loss. Accretion of discount is recorded under “Interest expense” account in profit or loss.

Derecognition of Financial Instruments
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed as obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

Impairment of Financial Assets
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or

more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or 'events') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

<u>Other assets</u>
Other assets include input value-added tax (VAT), prepaid expenses and creditable withholding taxes.

Input VAT
Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services which are incurred and billings which has been received as of date. The input VAT can also be recovered as tax credit against future income tax liability of the Company or refunded subject to the approval of the BIR. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Deferred input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding ₱1 million. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

Prepaid expenses
Prepaid expenses represent paid expenses that are not yet incurred. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Creditable withholding taxes
Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and utilized as tax credits against income tax due.

Investment properties
Investment properties comprise of construction-in-progress and completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.

These are carried at cost less accumulated depreciation and amortization and any impairment.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation of investment properties, which consist of buildings, are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful life of the buildings is 40 years.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, *Revenue from Contracts with Customers*.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

Equity

Paid-up capital and Additional paid-in capital (APIC)
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Amount of contribution in excess of par value is accounted for as APIC.

Stock issuance costs
Stock issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction, net of tax, from the proceeds. These costs are charged to APIC or "Retained earnings", if no available APIC.

Treasury shares
Treasury shares are the Company's own equity instruments which were reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock is reduced by its par value and the excess of cost over par value upon retirement is charged to APIC when the shares were issued and to retained earnings for the remaining balance.

Retained earnings
Retained earnings represent the cumulative balance of net income of the Company, net of dividend distribution, if any.

Revenue Recognition

The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Significant accounting policy on January 1, 2018
Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

Rental income
Rental income under noncancellable and cancellable leases on investment properties is accounted under operating lease and is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts. Lessor accounting under PFRS 16 is substantially the same under PAS 17.

Significant accounting policy prior to January 1, 2018
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Dues
Dues are recognized when the related services are rendered. Common area, air conditioning, electricity and water dues in excess of actual charges and consumption are recorded as revenue. Billing from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

Interest income
Interest income is recognized as it accrues using the EIR method.

Other income
Other income is recognized when earned.

Disaggregated revenue information
The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity (see Note 14).

Allocation of transaction price to performance obligation
Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

Timing of revenue recognition
Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

Deferral of Philippine Interpretations Committee Question and Answers (PIC Q&As) on accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes accounting for CUSA charges discussed in PIC Q&A No. 2018-12-H which concludes that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 for a period of three years. The deferral will only be applicable for real estate transactions. Effective January 1, 2021, the Company will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Company is currently presenting its common area, air conditioning, electricity and water dues on a net basis. Had the Company opted to not avail of the relief from the deferral and will comply in full requirement of PIC Q&A 2018-12, the Company will be presenting the revenue from common area charges at gross amounts (see Note 14).

Costs and Expenses
Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Leases
Company as lessor - operating lease
Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its

operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Company as lessor - finance lease
A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

Company as lessee – accounting policy prior to January 1, 2019
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense on a straight-line basis over the lease term while the variable rent is recognized as an expense based on terms of the lease contract.

Company as lessee – accounting policy on January 1, 2019
Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to

compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred tax
Deferred income tax is provided using the liability method on all temporary differences, with certain exceptions between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Company's lease operation is its only segment. Financial information on business segment is presented in Note 22 of the financial statements.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Summary of Significant Accounting Estimates, Judgments and Assumptions

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

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

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

Finance lease commitments - Company as lessor
The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of this property to the lessee and accounts for the agreement as finance lease.

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

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

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

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

The carrying value of the Company's trade receivables amounted to ₱479.28 million, ₱284.12 million and ₱128.92 million as of December 31, 2019, 2018 and 2019, respectively, net of allowance for credit losses amounting to ₱7.66 million as of December 31, 2019, 2018 and 2017 (see Note 5).

Evaluating impairment of nonfinancial assets
The Company regularly reviews its nonfinancial asset for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect its nonfinancial assets.

The Company's nonfinancial assets are not impaired as of December 31, 2019, 2018 and 2017. The carrying values of the Company's nonfinancial assets follow:

	2019	2018	2017
Input VAT (Note 6)	**₱436,890,469**	₱291,247,064	₱240,460,922
Deferred input VAT (Note 6)	**622,744,439**	789,199,670	2,766,914
Investment properties (Note 7)	**6,192,374,393**	8,188,049,035	1,155,750,359
	₱7,252,009,301	₱9,268,495,769	₱1,398,978,195

Estimating useful lives of investment properties
The Company estimates the useful life of its investment properties based on the period over which the asset is expected to be available for use. The estimated useful life of investment properties is reviewed at least annually and is updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of the asset. It is possible that future financial performance could be materially affected by changes in estimates brought about by changes in the factors mentioned above. See Note 7 for the related balances.

4. Cash

This account consists of:

	2019	2018	2017
Cash on hand	**₱22,500**	₱22,500	₱22,500
Cash in banks	**122,158,106**	26,106,603	17,145,524
	₱122,180,606	₱26,129,103	₱17,168,024

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.35% to 0.45% in 2019, 2018 and 2017. Interest income earned from cash in banks amounted to ₱0.31 million, ₱0.10 million and ₱0.08 million in 2019, 2018 and 2017, respectively (see Note 15).

5. Receivables

This account consists of:

	2019	2018	2017
Finance lease receivable			
(Notes 17 and 19)	**₱2,267,931,937**	₱–	₱–
Due from related parties (Note 19)	**1,803,889,622**	1,936,214,187	405,415,332
Trade receivables			
Accrued rent	**369,059,057**	232,395,231	93,646,773
Billed	**117,888,650**	59,384,931	42,934,020
Other receivables	**374,307**	86,481	88,881
	4,559,143,573	2,228,080,830	542,085,006
Less allowance for credit losses	**7,664,917**	7,664,917	7,664,917
	4,551,478,656	2,220,415,913	534,420,089
Less noncurrent portion	**2,556,978,813**	209,417,570	86,773,563
	₱1,994,499,843	₱2,010,998,343	₱447,646,526

Accrued rent pertains to receivables resulting from the straight-line method of recognizing rental income.

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

The movements in allowance for credit losses follows:

	2019	2018	2017
Balance at beginning of year	**₱7,664,917**	₱7,664,917	₱8,032,199
Reversals (Note 16)	**–**	–	(367,282)
Balance at end of year	**₱7,664,917**	₱7,664,917	₱7,664,917

Noncurrent portion of receivables
This account consists of:

	2019	2018	2017
Finance lease receivable			
(Notes 17 and 19)	**₱2,215,249,105**	₱–	₱–
Trade receivables	**341,729,708**	209,417,570	86,773,563
	₱2,556,978,813	₱209,417,570	₱86,773,563

6. Other Assets

Other Current Assets
This account consists of:

	2019	2018	2017
Input VAT	**₱91,577,595**	₱78,630,786	₱50,718,729
Creditable withholding taxes	**66,025,072**	26,609,340	3,886,389
Prepaid expenses	**–**	8,083,759	16,959,213
Advances to suppliers	**–**	5,174,473	1,751,786
	₱157,602,667	₱118,498,358	₱73,316,117

Input VAT is applied against output VAT within 12 months. This includes input VAT claimed for refund amounting to ₱6.39 million which is awaiting approval from the BIR.

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and are utilized as tax credits against income tax due.

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

Other Noncurrent Assets
This account consists of:

	2019	2018	2017
Deferred input VAT	**₱622,744,439**	₱789,199,670	₱2,766,914
Input VAT	**345,312,874**	212,616,278	189,742,193
	₱968,057,313	₱1,001,815,948	₱192,509,107

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.00 million per transaction which is available for offset against the Company's future output VAT.

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

7. Investment Properties

	2019		
	Building and Improvements	**Construction-in-Progress**	**Total**
Cost			
At January 1	**₱6,134,749,678**	**₱2,720,149,866**	**₱8,854,899,544**
Transfer	**2,718,170,000**	**(2,718,170,000)**	**–**
Disposals (Note 17)	**(1,823,955,000)**	**–**	**(1,823,955,000)**
Additions	**18,855,993**	**–**	**18,855,993**
At December 31	**7,047,820,671**	**1,979,866**	**7,049,800,537**
Accumulated Depreciation			
At January 1	**666,850,509**	**–**	**666,850,509**
Depreciation and amortization (Note 16)	**190,575,635**	**–**	**190,575,635**
At December 31	**857,426,144**	**–**	**857,426,144**
Net Book Value	**₱6,190,394,527**	**₱1,979,866**	**₱6,192,374,393**

	2018		
	Building and Improvements	Construction-in Progress	Total
Cost			
At January 1	₱1,746,655,315	₱–	₱1,746,655,315
Additions	4,388,094,363	2,720,149,866	7,108,244,229
At December 31	6,134,749,678	2,720,149,866	8,854,899,544
Accumulated Depreciation			
At January 1	590,904,956	–	590,904,956
Depreciation (Note 16)	75,945,553	–	75,945,553
At December 31	666,850,509	–	666,850,509
Net Book Value	₱5,468,026,043	₱2,720,149,866	₱8,188,049,035

	2017
	Building and Improvements
Cost	
At January 1	₱1,742,414,335
Additions	4,240,980
At December 31	1,746,655,315
Accumulated Depreciation	
At January 1	543,645,980
Depreciation (Note 16)	47,258,976
At December 31	590,904,956
Net Book Value	₱1,155,750,359

On October 5, 2018, the Company and ALI executed a deed of assignment wherein ALI assigned, transferred and conveyed its ownership, rights, interests and obligations, including without limitation, those relating to the construction, development and operation thereof, as well as certain permits, licenses and contracts which it has obtained and entered into, respectively in connection with its obligation with the development of Ayala North Exchange (ANE) for a consideration amounting to ₱6,913.00 million.

Investment properties are composed of one (1) stand-alone building and one (1) mixed-used property, which are being leased out for office and retail and serviced apartment. The stand-alone building, Solaris One building, is located along Dela Rosa St. Legaspi Village, Makati City. The mixed-used property, ANE property, is composed of business process outsourcing and headquarters tower, retail spaces and serviced apartment, which is located along Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City.

Construction-in-progress pertains to ongoing construction, installation and related activities on certain investment property or other items necessary to prepare it for use. These are transferred to the related investment property account once construction is completed and is ready for service.

Additions include initial direct costs which comprise broker's commission paid to various brokers amounting to ₱8.46 million in 2019 and ₱85.39 million in 2018 and nil in 2017. These are amortized over the lease term on the same basis as the lease income.

The fair value of the investment properties was determined by independent and professionally qualified appraiser on March 16, 2020. The fair value of investment properties, excluding the portion of ANE building under finance lease, amounted to ₱23,024.01 million as of December 31, 2019.

The fair value of the Company's investment properties was determined using the Income Approach which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value.

The following table provides the fair value hierarchy of the Company's investment properties as of December 31, 2019, 2018 and 2017:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	March 16, 2020	₱23,024,010,000	₱–	₱–	₱23,024,010,000

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	Significant unobservable inputs
Solaris	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate
ANE	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate

Rental income and dues earned from investment properties and direct operating expenses incurred are as follows:

	2019	2018	2017
Rental income (Note 13)	**₱1,323,922,868**	₱696,017,710	₱551,966,359
Dues (Note 14)	**192,320,957**	169,314,125	146,235,433
Direct operating expenses (Note 16)	**436,017,048**	181,014,314	145,442,372

8. Property and Equipment

This account pertains to electronic data processing equipment. The rollforward analyses follow:

	2019	2018	2017
Cost			
Balances at beginning of year	**₱ 1,888,872**	₱1,888,872	₱1,848,693
Additions	–	–	40,179
Balances at end of year	**1,888,872**	1,888,872	1,888,872
Accumulated Depreciation			
Balances at beginning of year	**1,837,379**	1,773,217	1,709,577
Depreciation (Note 16)	**31,404**	64,162	63,640
Balances at end of year	**1,868,783**	1,837,379	1,773,217
Net Book Value	**₱20,089**	₱51,493	₱115,655

There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2019, 2018 and 2017.

There are no contractual purchase commitments for property and equipment as of December 31, 2019, 2018 and 2017.

Costs of fully depreciated electronic data processing equipment still in use amounted to ₱1.55 million as of December 31, 2019, 2018 and 2017.

9. Accounts and Other Payables

This account consists of:

	2019	2018	2017
Due to related parties (Note 19)	**₱179,751,118**	₱113,352,349	₱19,790,423
Accrued expenses			
Light and water	**12,144,253**	4,537,697	3,644,341
Repairs and maintenance	**6,079,597**	6,399,576	4,081,959
Rent	**3,298,736**	3,318,735	–
Others	**29,429,565**	22,861,269	13,085,743
Accounts payable	**29,755,900**	6,179,359	9,299,322
Taxes payable	**13,233,473**	187,966,846	3,699,385
Retention payable	**785,200**	592,200	484,200
	₱274,477,842	₱345,208,031	₱54,085,373

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

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.

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

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

10. Construction Bonds

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

The carrying value of the Company's construction bonds amounted to ₱11.11 million, ₱2.74 million and ₱2.80 million as of December 31, 2019, 2018 and 2017, respectively.

11. Deposits and Other Liabilities

This account consists of:

	2019	2018	2017
Advance rentals	**₱386,014,343**	₱324,801,647	₱120,974,132
Security deposits	**314,447,416**	278,631,820	106,325,664
Deferred credits	**66,465,881**	69,069,960	30,069,421
	766,927,640	672,503,427	257,369,217
Less current portion	**166,793,502**	30,521,231	9,154,209
	₱600,134,138	₱641,982,196	₱248,215,008

The current portion of these accounts follows:

	2019	2018	2017
Security deposits	**₱84,729,181**	₱23,379,284	₱8,070,048
Advance rentals	**81,793,332**	6,318,693	1,043,556
Deferred credits	**270,989**	823,254	40,605
	₱166,793,502	₱30,521,231	₱9,154,209

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 the 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.

The rollforward of security deposits follows:

	2019	2018	2017
Gross Amount			
Balance at beginning of year	**₱355,834,182**	₱153,405,313	₱134,652,518
Additions	**80,405,744**	206,995,538	18,752,795
Refunds	**(41,502,262)**	(4,566,669)	–
Balance at end of year	**394,737,664**	355,834,182	153,405,313
Unamortized Discount			
Balance at beginning of year	**77,202,362**	47,079,649	44,817,830
Additions	**15,650,424**	46,933,022	6,277,686
Accretion (Note 16)	**(12,562,538)**	(16,810,309)	(4,015,867)
Balance at end of year	**80,290,248**	77,202,362	47,079,649
Net Amount	**₱314,447,416**	₱278,631,820	₱106,325,664

Deferred credits
Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method.

The rollforward of deferred credits follows:

	2019	2018	2017
Balance at beginning of year	**₱69,069,960**	₱30,069,421	₱28,241,770
Additions	**15,650,424**	46,933,022	6,277,685
Amortization (Note 13)	**(18,254,503)**	(7,932,483)	(4,450,034)
Balance at end of year	**66,465,881**	69,069,960	30,069,421
Less current portion	**270,989**	823,254	40,605
	₱66,194,892	₱68,246,706	₱30,028,816

12. **Equity**

Capital stock
The details of the Company's capital stock as of December 31, 2019, 2018 and 2017 follow:

	2019		
		Preferred	
	Common	**A**	**B**
Authorized	**1,174,000,000**	**–**	**–**
Par value per share	**₱10.00**	**₱–**	**₱–**
Issued and outstanding shares	**977,792,435**	**–**	**–**

	2018		
		Preferred	
	Common	A	B
Authorized	1,174,000,000	–	–
Par value per share	₱10.00	₱–	₱–
Issued and outstanding shares	977,792,435	–	–

	2017		
		Preferred	
	Common	A	B
Authorized	33,679,500	716,320,500	990,000,000
Par value per share	₱1.00	₱1.00	₱1.00
Issued and outstanding shares	12,924,300	–	970,000,000

The changes in the number of shares follow:

	2019			2018			2017		
	Common	**Preferred**		Common	Preferred		Common	Preferred	
		A	**B**		A	B		A	B
Authorized number of shares									
Balance at beginning of year at ₱1 par value	**₱1,174,000,000**	–	–	33,679,500	716,320,500	990,000,000	33,679,500	716,320,500	990,000,000
Reclassification of unissued Preferred A shares (b.i)	–	–	–	83,020,800	(83,020,800)	–	–	–	–
Reclassification of Preferred A shares held in treasury (b.ii)	–	–	–	633,299,700	(633,299,700)	–	–	–	–
Reclassification of Preferred B shares held in treasury (b.iii)	–	–	–	40,000,000	–	(40,000,000)	–	–	–
Reclassification of outstanding preferred B shares (b.iv)	–	–	–	950,000,000	–	(950,000,000)	–	–	–
Change in par value from ₱1 to ₱10 (c)	–	–	–	(1,566,000,000)	–	–	–	–	–
Increase in authorized capital stock at ₱10 par value (a)	–	–	–	1,000,000,000	–	–	–	–	–
Balance at end of year	**₱1,174,000,000**	–	–	₱1,174,000,000	–	–	33,679,500	716,320,500	990,000,000
Issued shares									
Balance at beginning of year	**1,045,122,405**	–	–	12,924,300	633,299,700	990,000,000	12,924,300	633,299,700	–
Reclassification of Preferred A shares (b.ii)	–	–	–	633,299,700	(633,299,700)	–	–	–	–
Reclassification of Preferred B shares (b.iii and b.iv)	–	–	–	990,000,000	–	(990,000,000)	–	–	–
Change in par value from ₱1 to ₱10 (c)	–	–	–	(1,472,601,600)	–	–	–	–	–
Issuance of new shares (a)	–	–	–	881,500,005	–	–	–	–	990,000,000
Balance at end of year	**1,045,122,405**	–	–	1,045,122,405	–	–	12,924,300	633,299,700	990,000,000
Treasury shares									
Balance at beginning of year	**(67,329,970)**	–	–	–	(633,299,700)	(20,000,000)	–	(633,299,700)	–
Redemption of shares	–	–	–	–	–	(20,000,000)	–	–	(20,000,000)
Reclassification of Preferred A shares (b.ii)	–	–	–	(633,299,700)	633,299,700	–	–	–	–
Reclassification of Preferred B shares (b.iii)	–	–	–	(40,000,000)	–	40,000,000	–	–	–
Change in par value from ₱1 to ₱10 (c)	–	–	–	605,969,730	–	–	–	–	–
Balance at end of year	**(67,329,970)**	–	–	(67,329,970)	–	–	–	(633,299,700)	(20,000,000)
Outstanding	**977,792,435**	–	–	977,792,435	–	–	12,924,300	–	970,000,000

a. On September 26, 2018, the Company's BOD approved the increase in its authorized capital stock by ₱10 billion additional common shares with a par value of ₱1 per share and approved the subscription of ALI of ₱8.815 billion shares at ₱1 per share.

b. On the same date, the Company's BOD approved the reclassification of the following shares:
   i. ₱83,020,800 unissued Preferred A shares with a par value of ₱1 per share;
   ii. ₱633,299,700 Preferred A shares with a par value of ₱1 per share held in treasury
   iii. ₱40,000,000 of Preferred B shares with a par value of ₱1 per share held in treasury
   iv. ₱950,000,000 of outstanding Preferred B shares with a par value of ₱1 into ₱1,706,320,500 Common shares

c. The Company's BOD also approved the increase in the par value of the common shares from ₱1 to ₱10 per share.

On December 18, 2018, the SEC approved the Company's application for (a) increase in authorized capital stock, (b) reclassification/conversion into common shares of (1) unissued Preferred A shares; (2) Preferred A shares held in treasury; (3) Preferred B shares held in treasury; and (4) outstanding Preferred B shares issued to ALO and its nominees, and (c) the increase in the par value of the common shares from ₱1 to ₱10 per share.

Preferred shares
Preferred shares A have the following features: (a) voting, (b) participating, (c) preferred in liquidation to the extent of par value, and (d) redeemable at the option of the Company.

Preferred shares B have the following features: (a) voting, (b) preferred in dividend over Common, (c) non-cumulative, (d) non-participating, (e) no pre-emptive right to any issue of shares, and (d) redeemable at the option of the Company.

As of December 31, 2018, preferred shares A and B have all been converted to common shares.

Retained earnings
On October 26, 2017, the Company's BOD approved the declaration of cash dividends of ₱24.22 per common share or an aggregate amount of ₱313.00 million and 5% coupon dividend amounting to ₱49.50 million to Preferred B stockholders of record as of October 26, 2016. These are paid in 2017.

On September 26, 2018, the Company's BOD approved the declaration of cash dividends of ₱25.96 per common share or an aggregate amount of ₱335.50 million and 5% coupon dividend amounting to ₱48.50 million to Preferred B stockholders of record as of October 26, 2017. These are paid in 2018.

On April 3, 2019, the Company's BOD approved the declaration of cash dividends of ₱0.98 per share or an aggregate amount of ₱961.30 million to stockholders of record as of the same date. These are paid in 2019.

Treasury shares
On October 26, 2017, the Company's BOD approved the redemption of Preferred B shares amounting to ₱20.00 million which was paid in 2017.

On September 26, 2018, the Company's BOD approved the redemption of Preferred B shares amounting to ₱20.00 million which was paid in 2018.

On December 13, 2018, the Company's treasury shares were all converted to common shares.

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 make 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 December 31, 2019, 2018 and 2017 follow:

	2019	2018	2017
Paid-up capital	**₱10,451,224,050**	₱10,451,224,050	₱1,636,224,000
Treasury shares	**(673,299,700)**	(673,299,700)	(653,299,700)
Retained earnings	**1,022,804,424**	722,691,606	677,952,254
	₱10,800,728,774	₱10,500,615,956	₱1,660,876,554

The Company is not subject to any external capital requirement.

No changes were made in the Company's capital management objectives, policies or processes in 2019, 2018 and 2017.

13. Rental Income

This account consists of:

	2019	2018	2017
Office and retail	**₱1,247,556,282**	₱652,943,086	₱517,367,851
Parking fees	**58,112,083**	35,142,141	30,148,474
Amortization of deferred credits (Note 11)	**18,254,503**	7,932,483	4,450,034
	₱1,323,922,868	₱696,017,710	₱551,966,359

Rental income from office, retail and parking includes income from straight-line method of recognizing rental income amounting to ₱136.66 million, ₱138.75 million and ₱39.52 million in 2019, 2018 and 2017, respectively.

14. Dues

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

	2019	2018	2017
Dues	**₱519,298,804**	₱306,666,900	₱273,428,400
Direct operating expenses			
Utilities	**218,098,134**	91,418,469	88,738,906
Outside services	**63,827,195**	20,282,707	14,984,364
Repairs and maintenance	**39,120,487**	23,682,165	21,775,416
Miscellaneous	**5,932,031**	1,969,434	1,694,281
	326,977,847	137,352,775	127,192,967
	₱192,320,957	₱169,314,125	₱146,235,433

Set out below is the disaggregation of the Company's revenue from non-lease component:

	2019	2018	2017
Dues:			
Common area charges	**₱162,061,630**	₱160,714,250	₱139,671,291
Utilities dues	**30,259,327**	8,599,875	6,564,142
	₱192,320,957	₱169,314,125	₱146,235,433

15. **Interest and Other Income**

Interest Income
This account consists of:

	2019	2018	2017
Interest income from intercompany loans (Note 19)	**₱57,948,496**	₱17,077,503	₱9,979,440
Interest income from finance lease (Notes 17 and 19)	**46,837,607**	–	–
Interest income from cash in banks (Note 4)	**313,345**	95,032	76,241
	₱105,099,448	₱17,172,535	₱10,055,681

Gain under Finance Lease
Gain under finance lease pertains to the difference between the fair value of finance lease receivable and the carrying amount of the portion of investment property under finance lease (see Notes 7 and 17).

Other Income
This account pertains to income earned from interest and penalties arising from late payments amounting to ₱0.14 million, ₱0.36 million and ₱0.58 million in 2019, 2018 and 2017, respectively.

16. **Costs and Expenses and Other Charges**

Direct Operating Expenses
This account consists of:

	2019	2018	2017
Depreciation (Note 7)	**₱190,575,635**	₱75,945,553	₱47,258,976
Land lease (Notes 17 and 19)	**97,521,679**	39,641,491	35,559,393
Taxes and licenses	**101,510,662**	34,414,200	33,365,168
Management fees (Note 19)	**35,543,753**	27,273,745	26,154,707
Insurance	**6,125,499**	1,611,480	1,033,065
Others	**4,739,820**	2,127,845	2,071,063
	₱436,017,048	₱181,014,314	₱145,442,372

General and Administrative Expenses
This account consists of:

	2019	2018	2017
Professional fees	**₱11,025,773**	₱361,920	₱348,000
Taxes and licenses	**1,769,095**	1,955,099	3,928,573
Systems costs (Note 19)	**149,500**	154,950	150,000
Depreciation (Note 8)	**31,404**	64,162	63,640
Reversal of provision for credit losses (Note 5)	**–**	–	(367,282)
Others	**1,205,774**	1,637,951	1,591,139
	₱14,181,546	₱4,174,082	₱5,714,070

Interest Expense
This account pertains to accretion of security deposit amounting to ₱12.56 million, ₱16.81 million and ₱4.02 million in 2019, 2018 and 2017, respectively (see Note 11).

17. **Agreements and Lease Commitments**

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

The future minimum rentals receivable under noncancellable operating leases are as follows:

	2019	2018	2017
Within one year	**₱1,247,102,277**	₱1,043,809,274	₱526,547,466
After one year but not more than five years	**5,111,571,372**	4,599,357,333	1,903,526,975
More than five years	**341,483,942**	1,329,693,902	698,460,155
	₱6,700,157,591	₱6,972,860,509	₱3,128,534,596

Total rental income amounted to ₱1,323.92 million, ₱696.02 million and ₱551.97 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 13). Rental income arising from variable rent based on gross sales amounted to ₱2.12 million for the year ended December 31, 2019 (nil in 2018 and 2017).

Company as lessor - finance lease
In 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (see Note 19). The agreement pertains to the lease of a portion, composed of 18 floors stacked on top of the headquarters tower, of ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the Lessee for the remaining period of the lease term.

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

	2019
Within one year	₱203,280,000
More than one year and not more than five years	650,496,000
More than 5 years	5,552,653,750
Total undiscounted lease payments and unguaranteed residual value	**6,406,429,750**
Less: unearned finance income	4,138,497,813
Net investment in the lease	**₱2,267,931,937**

The net investment in the lease consists of the present value of minimum lease payments amounting to ₱2,221.09 million. The Company derecognized the portion of investment property under finance lease amounting to ₱1,823.95 million (see Note 7) which resulted to a gain under finance lease amounting to ₱397.14 million. The Company also recognized interest income earned amounting to ₱46.84 million in 2019 (see Notes 15 and 19).

The Company remains to be the legal owner of the portion of ANE building under finance lease.

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

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 19). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

The Company's contracts of lease for the land spaces that it occupies include dismantling provision clause at the option of the lessor. The Company did not recognize any asset retirement obligation as of the reporting date as the current assessment of the amount of outflow in dismantling the asset in the future is immaterial.

Rental expense recognized as "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounted to ₱97.52 million, ₱39.64 million and ₱35.56 million in 2019, 2018 and 2017, respectively (see Note 16).

18. **Income Tax**

Provision for (benefit from) income tax consists of:

	2019	2018	2017
Current	**₱202,459,244**	₱145,243,982	₱101,290,488
Deferred	**91,926,271**	(1,490,954)	5,577,236
Final	**62,669**	19,006	13,431
	₱294,448,184	₱143,772,034	₱106,881,155

The current provision for income tax represents RCIT in 2019, 2018 and 2017.

In 2019, 2018 and 2017, the Company availed of the optional standard deduction (OSD).

The components of net deferred tax assets (liabilities) follow:

	2019	2018	2017
Deferred tax assets on:			
Advance rentals	**₱60,317,256**	₱58,464,297	₱34,932,664
Accrued expense	**10,395,708**	6,681,109	3,747,065
Allowance of credit losses	**1,379,685**	1,379,685	1,379,685
	72,092,649	66,525,091	40,059,414
Deferred tax liabilities on:			
Difference between finance and operating lease method	**(72,894,340)**	–	–
Excess of lease income over collections	**(66,430,630)**	(41,831,141)	(16,856,419)
	(₱67,232,321)	₱24,693,950	₱23,202,995

The reconciliation between the statutory income tax rate to the effective income tax rate shown in the statements of comprehensive income follows:

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Add (deduct) tax effect of:			
Nondeductible expenses	**0.16**	3.01	0.64
Nontaxable income	**(4.17)**	(0.35)	(0.25)
Deductible expenses due to option to use OSD	**(7.07)**	(11.54)	(11.06)
Effective income tax rate	**18.92%**	21.12%	19.33%

19. **Related Party Transactions**

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

Terms and Conditions of Transactions with Related Parties
The Company, in its regular conduct of business, has entered into transactions with related parties consisting of advances and 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. There have been no guarantees provided or received for any related party receivables or payables.

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

	December 31, 2019			
Category	Volume	Outstanding Balance	Terms	Conditions
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	₱75,070,139	₱514,752,540	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Makati North Hotel Ventures, Inc. (m)	2,267,931,937	2,267,931,937	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Bay City Commercial Ventures Corp. (b)	386,891,522	386,891,522	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	319,356,979	170,643,021	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	119,644,900	119,644,900	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	50,309,899	115,609,899	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	100,217,708	100,217,708	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	43,715,380	80,539,895	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	48,594,653	48,594,653	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	5,218,238	42,018,238	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	41,189,478	41,189,478	Interest-bearing; On demand	Unsecured; No impairment
Bank of the Philippine Islands (i)	38,190,369	38,190,369	Noninterest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	37,788,693	37,788,693	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	31,340,560	31,340,560	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	9,628,326	25,371,674	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	1,089,157	21,722,132	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	12,026,125	13,582,349	Interest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (k)	111,608,067	7,491,933	Noninterest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	5,688,274	5,688,274	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	1,988,235	1,988,235	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	248,738	248,738	Interest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	226,742	121,551	Interest-bearing; On demand	Unsecured; No impairment

(Forward)

Category	December 31, 2019 Volume	Outstanding Balance	Terms	Conditions
Econorth Resorts Ventures, Inc. (b)	**₱38,270**	**₱119,225**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Cagayan De Oro Gateway Corporation (b)	**100,921**	**100,921**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Alveo Land Corp. (g)	**2,812,276**	**33,114**	**Noninterest-bearing; On demand**	**Unsecured; No impairment**
	₱	**₱4,071,821,559**		

**Entities under common control*

Category	December 31, 2019 Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	**₱62,736,563**	**₱153,545,941**	**Noninterest-bearing, due and demandable**	**Unsecured**
Afiliates*				
Direct Power Services, Inc. (d)	**5,811,587**	**10,334,751**	**Noninterest-bearing; On demand**	**Unsecured**
HLC Development Corporation (c)	**5,648,541**	**5,648,541**	**Noninterest-bearing; On demand**	**Unsecured**
Ayala Property Management, Corp. (f)	**3,592,279**	**4,218,940**	**Noninterest-bearing; On demand**	**Unsecured**
AyalaLand Offices, Inc. (h)	**2,549,092**	**2,922,779**	**Noninterest-bearing; On demand**	**Unsecured**
Makati Development Corp. (e)	**–**	**2,019,459**	**Noninterest-bearing; On demand**	**Unsecured**
Manila Water Company, Inc. (n)	**1,249,964**	**858,101**	**Noninterest-bearing; On demand**	**Unsecured**
First Gateway Real Estate Corp. (l)	**73,767**	**73,767**	**Noninterest-bearing; On demand**	**Unsecured**
Innove Communications (j)	**128,839**	**128,839**	**Noninterest-bearing; On demand**	**Unsecured**
	₱	**₱179,751,118**		

**Entities under common control*

Category	December 31, 2018 Volume	Outstanding Balance	Terms	Conditions
Due from related parties				
Parent Company				
Ayala Land, Inc. (a)	₱927,700,000	₱439,682,401	Noninterest-bearing, due and demandable	Unsecured, no impairment
Affiliates*				
Avida Land Corp. (b)	819,550,000	646,850,000	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	505,000,000	490,000,000	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	119,100,000	119,100,000	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	65,300,000	65,300,000	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	36,550,000	36,824,515	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	36,800,000	36,800,000	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	–	35,000,000	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	–	25,000,000	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	–	20,632,975	Interest-bearing; On demand	Unsecured; No impairment
Summerhill Commercial Ventures Corp. (b)	50,000,000	10,997,634	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Metro North, Inc. (b)	–	5,000,000	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (Alveo) (g)	–	2,845,390	Noninterest-bearing; On demand	Secured; No impairment
Airswift Transport, Inc. (b)	65,000,000	1,556,224	Interest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	–	348,293	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	–	157,495	Interest-bearing; On demand	Unsecured; No impairment

(Forward)

Category	December 31, 2018 Volume	Outstanding Balance	Terms	Conditions
Ayala Property Management Corporation (b)	₱–	₱119,260	Interest-bearing; On demand	Unsecured; No impairment
Southportal Properties, Inc. (b)	50,000,000	–	Interest-bearing; On demand	Unsecured; No impairment
Ten Knots Philippines, Inc. (b)	50,000,000	–	Interest-bearing; On demand	Unsecured; No impairment
	₱	₱1,936,214,187		
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱123,787,320	₱105,809,378	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
Direct Power Services, Inc. (d)	47,262,880	4,523,164	Noninterest-bearing; On demand	Unsecured
Makati Development, Inc. (e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	7,273,245	626,661	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	521,459	373,687	Noninterest-bearing; On demand	Unsecured
	₱	₱113,352,349		

Entities under common control

Category	December 31, 2017 Volume	Outstanding Balance	Terms	Conditions
Due from related parties				
Parent Company				
Ayala Land, Inc. (a)	₱90,000,000	₱6,693,997	Noninterest-bearing, due and demandable	Unsecured, no impairment
Affiliates*				
Avida Land Corp. (b)	–	107,800,000	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	–	73,300,000	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Metro North, Inc. (b)	60,000,000	55,000,000	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	35,000,000	35,000,000	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	–	35,000,000	Interest-bearing; On demand	Unsecured; No impairment
Summerhill Commercial Ventures Corp. (b)	30,000,000	30,357,335	Interest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	30,000,000	30,299,767	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	20,000,000	20,000,000	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	5,500,000	5,549,302	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	2,845,390	2,845,390	Noninterest-bearing; On demand	Secured; No impairment
Greenhaven Property Venture, Inc. (b)	34,000,000	2,282,816	Interest-bearing; On demand	Unsecured; No impairment
UP North Property Holdings, Inc. (b)	892,950	892,950	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	30,000,000	274,515	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	119,260	119,260	Interest-bearing; On demand	Unsecured; No impairment
	₱	₱405,415,332		
Due to related parties				
Parent Company				
Ayala Land, Inc. (a)	₱56,977,618	₱11,732,043	Noninterest-bearing; On demand	Unsecured
Affiliates*				
Direct Power Services, Inc. (d)	88,738,908	5,891,143	Noninterest-bearing; On demand	Unsecured
Makati Development, Inc. (e)	–	2,019,462	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	899,022	147,775	Noninterest-bearing, due and demandable	Unsecured
Ayala Property Management, Corp. (f)	6,154,707	–	Noninterest-bearing; On demand	Unsecured
	₱	₱19,790,423		

Entities under common control

The following describes the nature of the material transactions of the Company with related parties in 2019, 2018 and 2017:

(a) The Company's intercompany receivable from ALI pertains to collection of lease payments of tenant on behalf of the Company amounting to ₱29.63 million as of December 31, 2019 and 2018 (nil in 2017), and payment of operating expenses for and on behalf of ALI amounting to ₱0.02 million, ₱0.66 million and ₱6.69 million as of December 31, 2019, 2018 and 2017, respectively.

    ALI handles the lease management and marketing functions including key management personnel services of the Company and is entitled to receive a management fee. The Company recognized management fee amounting to ₱20.00 million in 2019, 2018 and 2017 (see Note 16).

    The Company entered into a contract of lease with ALI to occupy a parcel of land where the building is located. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱35.98 million, ₱36.32 million and ₱35.56 million in 2019, 2018 and 2017, respectively (see Note 16).

    ALI allocated system costs amounting to ₱0.15 million in 2019, 2018 and 2017 (see Note 16).

    On October 5, 2018, the Company acquired the ANE property from ALI amounting to ₱6,913.00 million. The first installment for the payment amounting to ₱3,222.02 million was made on the same date, while the second and final installment amounting to ₱3,690.98 million was made on December 17, 2018 (see Note 7). On the same date, ALI transferred the advance rent, security deposits and initial direct costs incurred for existing tenants of ANE property amounting to ₱204.15 million, ₱204.17 million and ₱85.39 million, respectively.

(b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 2.64% to 6.25%, 2.19% to 2.36% and 2.36% to 2.98% per annum in 2019, 2018 and 2017, respectively.

    The Company recognized interest income amounting to ₱57.95 million, ₱17.08 million and ₱9.98 million in 2019, 2018 and 2017, respectively (see Note 15).

    Documentary stamp tax is paid by the borrowers at the time of the loan.

(c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱61.54 million and ₱3.32 million in 2019 and 2018, respectively (nil in 2017; see Note 16).

(d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱77.04 million in 2019 and ₱47.26 million in 2018 and ₱88.74 million in 2017, of which the remaining payable amounted to ₱10.33 million, ₱4.52 million and ₱5.89 million as of December 31, 2019, 2018 and 2017, respectively.

(e) On December 19, 2006, the Company and Makati Development Corp. (the 'Contractor') signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of December 31, 2019, 2018 and 2017.

(f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year's rate. Provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget process. In the event no such approval is obtained, the management fee prevailing for the immediately preceding year shall apply. The Company recognized management fees amounting to ₱15.54 million, ₱7.27 million and ₱6.15 million in 2019, 2018 and 2017, respectively (see Note 16).

(g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱4.25 million, ₱2.68 million and ₱3.54 million in 2019, 2018 and 2017, respectively, of which the remaining receivable amounted ₱0.03 million as of December 31, 2019 and ₱2.85 million as of December 31, 2018 and 2017.

(h) The Company's intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱2.92 million, ₱0.37 million and ₱0.15 million in 2019, 2018 and 2017, respectively. The Company recognized accounting shared services in "Others" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱0.93 million, ₱0.70 million in 2019 and 2018 and nil in 2017, respectively.

(i) Bank of the Philippine Islands, an associate of AC, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱116.74 million and ₱2.01 million in 2019 and 2018, respectively, of which the remaining receivable amounted to ₱38.19 million as of December 31, 2019 (nil as of December 31, 2018 and 2017).

(j) The Company's outstanding payables to Innove Communications pertains to postal and communications expense transactions.

(k) First Gateway Real Estate Corporation (FGREC), a subsidiary of AyalaLand Offices, Inc. (ALOI), is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱4.78 million in 2019 (nil in 2018 and 2017).

(l) The Company's intercompany receivable from ALI pertains to payment of operating expenses for and on behalf of FGREC amounting to ₱0.07 million in 2019 (nil in 2018 and 2017).

(m) This pertains to the receivable arising from lease agreement with MNHVI (see Note 17). The Company recognized finance lease receivable amounting to ₱2,267.93 million. This includes interest income accretion amounting to ₱46.84 million in 2019 (nil in 2018 and 2017; see Note 15).

    Gain under finance lease amounted to ₱397.14 million in 2019 (nil in 2018 and 2017; see Notes 15 and 17).

(n) The Company's intercompany payable to Manila Water Company, Inc. pertains to outstanding balance of water consumption incurred by the Company amounting to ₱0.86 million in 2019. The Company recognized utility services in "Utilities" under "Dues" in the statements of comprehensive income amounting to ₱1.25 million in 2019 (nil in 2018 and 2017; see Notes 14).

<u>Cash in bank</u>
The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to ₱54.81 million, ₱4.39 million and ₱1.94 million in 2019, 2018 and 2017, respectively (see Note 4). Interest income earned from these deposits amounted to ₱41,175, ₱34,038 and ₱25,936 in 2019, 2018 and 2017, respectively (see Note 15).

<u>Compensation of Key Management Personnel</u>
The key management functions of the Company are handled by ALI which charges management fees for such services (see item (a) above).

20. **Financial Assets and Liabilities**

Fair Value Information

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

	2019		2018		2017	
	Carrying value	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Security deposits	**₱314,447,416**	**₱335,432,923**	₱278,631,820	₱267,898,715	₱106,325,664	₱85,260,224

Fair Value Hierarchy

As of December 31, 2019, 2018 and 2017, the Company has no financial instrument measured at fair value. In 2019, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

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

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2019, 2018 and 2017 are shown below:

	Valuation technique	**Significant unobservable inputs**	**Range**	**Sensitivity of the input to fair value**
Security deposits	DCF Method	Discount rate	2019: 0.10%-4.36% 2018: 0.39%-5.39% 2017: 1.89%-4.79%	Increase (decrease) in the discount would decrease (increase) the fair value

Financial Risk Management Objectives and Policies

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

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

Exposure to 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.

ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

Credit risk

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

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

As of December 31, 2019, 2018 and 2017, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

The Company has applied the simplified approach and has calculated ECLs based on lifetime ECL for finance lease receivable. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of December 31, 2019 (nil as of December 31, 2018 and 2017), ECL related to the Company's finance lease receivable is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty and the counterparty is of good credit standing.

The Company did not provide any allowance relating to receivable from related parties in prior year. There are also no ECL recognized in the current year for related party receivables since there are no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As of December 31, 2019, 2018 and 2017, 69.08%, 64.55% and 62.42% of the Company's trade receivables are covered by security deposits, respectively. Trade receivables include receivables as a result of straight-line method amounting to ₱369.09 million, ₱232.40 million and ₱93.65 million as of December 31, 2019, 2018 and 2017, respectively. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. The resulting ECL of ₱7.66 million as of December 31, 2019, 2018 and 2017 pertains to receivables aged over 360 days.

The Company's maximum exposure to credit risk as of December 31, 2019, 2018 and 2017 is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details follow:

	2019			
	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Cash in banks	**₱122,158,106**	**₱–**	**₱122,158,106**	**₱–**
Receivables				
Finance lease receivable	**2,267,931,937**	**2,461,200,000**	**–**	**2,267,931,937**
Due from related parties	**1,803,889,622**	**–**	**1,803,889,622**	**–**
Trade receivables	**486,947,707**	**335,432,923**	**153,486,192**	**333,461,515**
Other receivables	**374,307**	**–**	**374,307**	**–**
	₱4,681,301,679	**₱2,796,632,923**	**₱2,079,908,227**	**₱2,601,393,452**

	2018			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱26,106,603	₱–	₱26,106,603	₱–
Receivables				
Due from related parties	1,936,214,187	–	1,936,214,187	–
Trade receivables	291,780,162	267,898,715	103,440,660	188,339,502
Other receivables	86,481	–	86,481	–
	₱2,254,187,433	₱267,898,715	₱2,065,847,931	₱188,339,502

	2017			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱17,145,524	₱–	₱17,145,524	₱–
Receivables				
Due from related parties	405,415,332	–	405,415,332	–
Trade receivables	136,580,793	85,260,224	51,320,569	85,260,224
Other receivables	88,881	–	88,881	–
	₱559,230,530	₱85,260,224	₱473,970,306	₱85,260,224

Given the Company's tenant mix and credit quality, it is not exposed to significant credit risks. As of December 31, 2017, the aging analysis of receivables presented per class, follows:

	2017						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		<30 days	30-120 days	>120 days	Total	Impaired	Total
Receivables							
Due from related parties	**₱398,428,313**	**₱–**	**₱3,707,707**	**₱3,279,312**	**₱6,987,019**	**₱–**	**₱405,415,332**
Trade receivables	**117,898,775**	**7,145,172**	**3,657,936**	**213,993**	**11,017,101**	**7,664,917**	**136,580,793**
Others	**–**	**–**	**88,881**	**–**	**88,881**	**–**	**88,881**
	₱516,327,088	**₱7,145,172**	**₱7,454,524**	**₱3,493,305**	**₱18,093,001**	**₱7,664,917**	**₱542,085,006**

No financial assets are individually determined to be impaired as of December 31, 2017.

As of December 31, 2017, all of the Company's neither past due nor impaired financial assets are considered as high grade.

The credit quality of the financial assets was determined as follows:

Cash in banks - based on the nature of the counterparty and the Company's internal rating system.

Receivables - high grade pertains to receivables from counterparties with no default in payment; medium grade pertains to receivables from counterparties with up to three (3) defaults in payment; and low grade pertains to receivables from counterparties with more than three (3) defaults in payment.

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

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

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

	2019			
	< 1 year	**1 to 5 years**	**> 5 years**	**Total**
Financial assets				
Cash in banks	**₱122,158,106**	**₱–**	**₱–**	**₱122,158,106**
Receivables				
Finance lease receivable	**52,682,832**	**56,549,854**	**2,158,699,251**	**2,267,931,937**
Due from related parties	**1,803,889,622**	**–**	**–**	**1,803,889,622**
Trade receivables*	**145,217,999**	**334,064,791**	**–**	**479,282,790**
Other receivables	**374,307**	**–**	**–**	**374,307**
	₱2,124,322,866	**₱390,614,645**	**₱2,158,699,251**	**₱4,673,636,762**
Financial liabilities				
Accounts and other payables				
Due to related parties	**₱179,751,118**	**₱–**	**₱–**	**₱179,751,118**
Accrued expenses	**50,952,151**	**–**	**–**	**50,952,151**
Accounts payable	**29,755,899**	**–**	**–**	**29,755,899**
Retention payable	**785,200**	**–**	**–**	**785,200**
Construction bonds	**11,105,498**	**–**	**–**	**11,105,498**
Security deposits	**84,729,181**	**229,718,235**	**–**	**314,447,416**
	₱357,079,047	**₱229,718,235**	**₱–**	**₱586,797,282**

**net of allowance for credit losses*

	2018		
	< 1 year	1 to < 5 years	Total
Financial assets			
Cash in banks	₱26,106,603	₱–	₱26,106,603
Receivables			
Due from related parties	1,936,214,187	–	1,936,214,187
Trade receivables*	82,362,642	201,752,603	284,115,245
Other receivables	86,481	–	86,481
	₱2,044,769,913	₱201,752,603	₱2,246,522,516
Financial liabilities			
Accounts and other payables			
Due to related parties	₱113,352,349	₱–	₱113,352,349
Accrued expenses	37,117,277	–	37,117,277
Accounts payable	6,179,359	–	6,179,359
Retention payable	592,200	–	592,200
Construction bonds	2,738,439	–	2,738,439
Security deposits	23,379,284	255,252,536	278,631,820
	₱183,358,908	₱255,252,536	₱438,611,444

**net of allowance for credit losses*

	2017		
	< 1 year	1 to < 5 years	Total
Financial assets			
Cash in banks	₱17,145,524	₱–	₱17,145,524
Receivables			
Due from related parties	405,415,332	–	405,415,332
Trade receivables*	49,807,230	79,108,646	128,915,876
Other receivables	88,881	–	88,881
	₱472,456,967	₱79,108,646	₱551,565,613
Financial liabilities			
Accounts and other payables			
Accrued expenses	₱20,812,043	₱–	₱20,812,043
Due to related parties	19,790,423	–	19,790,423
Accounts payable	9,299,322	–	9,299,322
Retention payable	484,200	–	484,200
Construction bonds	2,799,751	–	2,799,751
Security deposits	8,070,048	98,255,616	106,325,664
	₱61,255,787	₱98,255,616	₱159,511,403

**net of allowance for credit losses*

21. Earnings Per Share

The Company's earnings per share for the years ended December 31, 2019, 2018 and 2017 were computed as follows:

	2019	2018	2017
Net income	**₱1,261,410,487**	₱537,091,374	₱446,780,761
Weighted average number of common shares	**977,792,435**	169,750,764	96,292,430
Basic/Diluted earnings per share	**₱1.29**	₱3.16	₱4.64

The weighted average number of common shares for the year ended December 31, 2018 is adjusted for the change in par value from ₱1 to ₱10 and the reclassification of preferred shares to common shares made by the Company on December 18, 2018 (see Note 12).

The Company also assessed that there were no potential dilutive common shares in 2019, 2018 and 2017.

22. Segment Reporting

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

The Company's two-building lease operation is its only income-generating activity, and such is the measure used by the Chief Operating Decision Maker in allocating resources.

There were revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱356.32 million and ₱254.33 million for the year ended December 31, 2019.

23. Notes to Statements of Cash Flow

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

- Movement in intercompany loans presented under investing activities amounting to ₱199.00 million and ₱1,097.81 million in 2019 and 2018 (nil in 2017), respectively, is accounted as movement in "Receivables" that is presented under operating activities.
- Noncash movement of "Receivables" and "Investment properties" arising from lease agreement with MNVHI amounting to ₱2,221.09 million and ₱1,823.96 million, respectively, in 2019 (nil in 2018 and 2017; see Notes 7, 17, 19).
- Interest income from finance lease amounting to ₱46.84 million in 2019 (nil in 2018 and 2017; see Notes 15, 17, 19).
- Uncollected advance rent and security deposits amounting to ₱408.31 million in 2018 (nil in 2019 and 2017; see Note 19).
- Broker's commission capitalized as investment property amounting to ₱8.46 million and ₱85.39 million in 2019 and 2018, respectively (nil in 2017, see Note 7).
- Interest expense arising from accretion of security deposit amounting to ₱12.56 million, ₱16.81 million and in ₱4.02 million in 2019, 2018 and 2017, respectively.

24. Event After Financial Reporting Date

On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building commencing on February 1, 2020 for a period of 34 years. The rent is payable at a fixed monthly rate of ₱2.73 million subject to 5% annual escalation rate.

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱51,550,967	₱51,550,967	₱272,170
Bank of Philippine Islands	70,607,139	70,607,139	41,175
	122,158,106	122,158,106	313,345
Receivables			
Related parties	4,071,821,559	4,071,821,559	501,925,433
Third parties	486,947,707	486,947,707	–
Others	374,307	374,307	–
	4,559,143,573	4,559,143,573	501,925,433
	₱4,681,301,679	₱4,681,301,679	₱502,238,778

SCHEDULE B

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2019

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A

SCHEDULE C

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019

	Receivable Balance	Payable Balance	Current portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

SCHEDULE D

AREIT, INC.

(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2019

Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “current portion of long-term” in related balance sheet	Amount shown under caption “long-term debt” in related balance sheet
N/A	N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2019

Indebtedness to Related Parties (Long-term Loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

SCHEDULE F

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2019

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2019

Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	1,174,000,000	977,792,435	−	977,792,428	7	−

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019

Unappropriated Retained Earnings, beginning		₱722,691,606
Less: Deferred tax assets		66,525,091
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		656,166,515
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	1,261,410,487	
Less: Non-actual/unrealized income net of tax		
Amount of provision for deferred tax during the year	(5,567,558)	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	–	
Fair Value adjustment (M2M gains)	–	
Fair Value adjustments of Investment Properties resulting to gain adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the Retained Earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total	1,255,842,929	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustments due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustments of Investment Properties (after tax)	–	
Net income Actual/Realized		1,255,842,929
Add (Less):		
Dividend declarations during the year	(961,297,669)	
Appropriations of Retained Earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
		(961,297,669)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱950,711,775

AREIT, INC.
(Formerly One Dela Rosa Property Development, Inc.)

SCHEDULE 68-E

COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019

Ratio	Formula	**2019**	2018	2017
Current ratio	Current assets / Current liabilities	**4.35**	4.93	6.16
Acid test ratio	Quick assets / Current liabilities (Quick assets includes cash)	**0.24**	0.06	0.20
Solvency ratio	EBITDA / Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	**0.00**	0.00	0.00
Debt-to-equity ratio	Total debt / Stockholders' equity	**0.00**	0.00	0.00
Asset-to-equity ratio	Total assets / Stockholders' equity	**1.11**	1.10	1.20
Interest rate coverage ratio	EBITDA / Interest expense	**100.04**	45.00	148.15
Return on equity	Net income / Average total stockholders' equity	**0.12**	0.09	0.27
Return on assets	Net income after tax / Average total assets	**0.11**	0.08	0.23
Net profit margin	Net income / Total revenue	**0.83**	0.62	0.64

28th Floor Tower One & Exchange Plaza,
Ayala Avenue, Makati, Philippines 1226

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AREIT, Inc.** (the Company**)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein as of and for the years ended December 31, 2018, 2017 and 2016, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders as of and for the years ended December 31, 2018, 2017 and 2016, respectively, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Jose Emmanuel H. Jalandoni
Chairman of the Board

Carol T. Mills
President

Ruby P. Chiong
Treasurer

Signed this 29th day of March 2019

SUBSCRIBED AND SWORN to before me this _____________, at Makati City, affiants exhibiting to me their competent evidence of identity, to wit:

Name	Competent Evidence of Identity	Date & Place of Issued
Jose Emmanuel H. Jalandoni		
Carol T. Mill		
Ruby P. Chiong		

Doc. No. ______;
Page No. ______;
Book No. _____;
Series of 2019.

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
One Dela Rosa Property Development, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of One Dela Rosa Property Development, Inc. (the Company) which comprise the statements of financial position as at December 31, 2018, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019, valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019 to January 27, 2022
PTR No. 7332588, January 3, 2019, Makati City

March 29, 2019

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31		
	2018	2017	2016
ASSETS			
Current Assets			
Cash (Notes 4 and 20)	**₱26,129,103**	₱17,168,024	₱32,665,944
Receivables (Notes 5 and 20)	**2,010,998,343**	447,646,526	391,403,559
Other current assets (Note 6)	**204,752,887**	73,316,117	49,513,260
Total Current Assets	**2,241,880,333**	538,130,667	473,582,763
Noncurrent Assets			
Noncurrent portion of receivables (Notes 5 and 20)	**209,417,570**	86,773,563	51,877,710
Investment properties (Note 7)	**8,105,015,440**	1,155,750,359	1,198,768,355
Property and equipment (Note 8)	**51,493**	115,655	139,116
Deferred tax assets - net (Note 18)	**24,693,950**	23,202,995	27,826,285
Other noncurrent assets (Note 6)	**998,595,014**	192,509,107	192,257,282
Total Noncurrent Assets	**9,337,773,467**	1,458,351,679	1,470,868,748
	₱11,579,653,800	₱1,996,482,346	₱1,944,451,511
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 9 and 20)	**₱345,208,031**	₱54,085,373	₱81,719,481
Income tax payable	**58,587,947**	21,351,451	23,125,895
Current portion of deposits and other liabilities (Notes 11 and 20)	**30,521,231**	9,154,209	8,535,304
Construction bonds (Notes 10 and 20)	**2,738,439**	2,799,751	3,561,282
Total Current Liabilities	**437,055,648**	87,390,784	116,941,962
Noncurrent Liabilities			
Deposits and other liabilities - net of current portion (Notes 11 and 20)	**641,982,196**	248,215,008	230,913,756
Total Liabilities	**1,079,037,844**	335,605,792	347,855,718
Equity (Note 12)			
Paid-up capital	**10,451,224,050**	1,636,224,000	1,636,224,000
Treasury shares	**(673,299,700)**	(653,299,700)	(633,299,700)
Retained earnings	**722,691,606**	677,952,254	593,671,493
Total Equity	**10,500,615,956**	1,660,876,554	1,596,595,793
	₱11,579,653,800	₱1,996,482,346	₱1,944,451,511

See accompanying Notes to Financial Statements.

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Rental income (Notes 7, 13 and 17)	**₱696,017,710**	₱551,966,359	₱545,228,911
Dues (Notes 7 and 14)	**169,314,125**	146,235,433	138,185,934
	865,331,835	698,201,792	683,414,845
COSTS AND EXPENSES			
Direct operating expenses (Notes 7 and 16)	**181,014,314**	145,442,372	146,018,844
General and administrative expenses (Note 16)	**4,174,082**	5,714,070	12,768,414
	185,188,396	151,156,442	158,787,258
OTHER INCOME (CHARGES) - NET			
Interest income (Notes 4, 15 and 19)	**17,172,535**	10,055,681	7,294,569
Interest expense (Notes 11 and 16)	**(16,810,309)**	(4,015,867)	(3,182,437)
Other income (Note 15)	**357,743**	576,752	2,710,827
	719,969	6,616,566	6,822,959
INCOME BEFORE INCOME TAX	**680,863,408**	553,661,916	531,450,546
PROVISION FOR INCOME TAX (Note 18)	**143,772,034**	106,881,155	105,675,010
NET INCOME	**537,091,374**	446,780,761	425,775,536
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱537,091,374**	₱446,780,761	₱425,775,536
Basic/Diluted Earnings Per Share (Note 22)	**₱5.91**	₱307.39	₱291.14

See accompanying Notes to Financial Statements.

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2018	2017	2016
PAID-UP CAPITAL (Note 12)			
Common Shares - ₱10 par value in 2018 and ₱1 par value in 2017 and 2016			
Balance at beginning and end of year	**₱12,924,300**	₱12,924,300	₱12,924,300
Conversion of preferred shares	**1,623,299,700**	–	–
Issuance of new shares	**8,815,000,050**	–	–
Balance at end of year	**10,451,224,050**	12,924,300	12,924,300
Preferred Shares - ₱1 par value			
Balance at beginning of year	**1,623,299,700**	1,623,299,700	633,299,700
Conversion to common shares	**(1,623,299,700)**		
Issuance of new shares	**–**	–	990,000,000
Balance at end of year	**–**	1,623,299,700	1,623,299,700
	10,451,224,050	1,636,224,000	1,636,224,000
DEPOSIT FOR FUTURE STOCK SUBSCRIPTIONS			
Balance at beginning of year	**–**	–	990,000,000
Issuance of new shares	**–**	–	(990,000,000)
Balance at end of year	**–**	–	–
TREASURY SHARES (Note 12)			
Balance at beginning of year	**(653,299,700)**	(633,299,700)	(633,299,700)
Redemption of shares	**(20,000,000)**	(20,000,000)	–
Balance at end of year	**(673,299,700)**	(653,299,700)	(633,299,700)
RETAINED EARNINGS (Note 12)			
Balance at beginning of year	**677,952,254**	593,671,493	534,395,957
Net income	**537,091,374**	446,780,761	425,775,536
Share issuance costs	**(108,352,022)**	–	–
Cash dividends	**(384,000,000)**	(362,500,000)	(366,500,000)
Balance at end of year	**722,691,606**	677,952,254	593,671,493
	₱10,500,615,956	₱1,660,876,554	₱1,596,595,793

See accompanying Notes to Financial Statements.

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱680,863,408**	₱553,661,916	₱531,450,546
Adjustments for:			
Depreciation (Notes 7, 8 and 16)	**73,656,613**	47,322,616	44,410,125
Interest expense (Notes 11 and 16)	**16,810,309**	4,015,867	3,182,437
Interest income (Notes 4, 15 and 19)	**(17,172,535)**	(10,055,681)	(7,294,569)
Operating income before working capital changes	**754,157,795**	594,944,718	571,748,539
Changes in operating assets and liabilities:			
Increase (decrease) in:			
Receivables	**(179,870,857)**	(41,003,877)	5,848,627
Other assets	**(860,210,319)**	(24,313,679)	(8,619,404)
Increase (decrease) in:			
Accounts and other payables	**213,810,297**	(27,634,109)	20,486,954
Deposits and other liabilities	**(9,990,616)**	13,904,290	5,836,466
Construction bonds	**(61,309)**	(761,531)	944,116
Net cash generated from (used in) operations	**(82,165,009)**	515,135,812	596,245,298
Interest received	**17,172,535**	10,055,681	7,294,569
Income tax paid	**(108,026,492)**	(104,032,309)	(94,634,972)
Net cash flows provided by (used in) operating activities	**(173,018,966)**	421,159,184	508,904,895
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in due from related parties	**(1,097,810,451)**	(49,875,945)	(130,000,000)
Payments for additions to:			
Investment properties (Note 7)	**(7,022,857,532)**	(4,240,980)	(19,736,713)
Property and equipment (Note 8)	**–**	(40,179)	–
Cash flows used in investing activities	**(8,120,667,983)**	(54,157,104)	(149,736,713)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of shares (Note 12)	**8,706,648,028**	–	–
Redemption of shares (Note 12)	**(20,000,000)**	(20,000,000)	–
Payments of dividends (Notes 12 and 21)	**(384,000,000)**	(362,500,000)	(366,500,000)
Net cash provided by (used in) financing activities	**8,302,648,028**	(382,500,000)	(366,500,000)
NET INCREASE (DECREASE) IN CASH	**8,961,079**	(15,497,920)	(7,331,818)
CASH AT BEGINNING OF YEAR	**17,168,024**	32,665,944	39,997,762
CASH AT END OF YEAR (Note 4)	**₱26,129,103**	₱17,168,024	₱32,665,944

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

One Dela Rosa Property Development, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006 with a corporate life of 50 years. The Company was organized primarily to develop, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial.

In 2018, the Company became 90.15% owned by Ayala Land Inc. (ALI) and 9.85% owned by AyalaLand Offices, Inc. (ALOI) after the additional capital subscription from ALI (see Note 12). In 2017, the Company was a wholly owned subsidiary of ALOI.

ALOI is a wholly owned subsidiary of ALI. ALI's parent is Ayala Corporation (AC). AC is 47.04% owned by Mermac, Inc. and the rest by the public. Both ALI and AC are publicly-listed companies domiciled and incorporated in the Philippines.

The 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 operational and administrative functions of the Company are handled by ALI (see Note 19).

On September 26, 2018, the Board of Directors (BOD) approved the acquisition of the Ayala North Exchange (ANE) Property from ALI through execution of deed of assignment (see Notes 7 and 19).

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 29, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation
The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying financial statements of the Company have been prepared for inclusion in the prospectus in relation to a planned capital-raising activity.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in this note.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Company applied PFRS 9 prospectively, with an initial application date of January 1, 2018. The Company has not restated the comparative information, which continues to be reported under PAS 39.

  The effect of adopting PFRS 9 as at January 1, 2018 are as follows:

  a) Classification and measurement
     Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income (OCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (SPPI criterion). The assessment of the Company's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

     The classification and measurement requirements of PFRS 9 did not have significant impact to the Company. The change in the classification of the Company's financial assets is on trade and other receivables classified as loans and receivables as at December 31, 2017 and 2016 which are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2018.

     The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

  b) Impairment
     The adoption of PFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss. The change in the accounting for impairment loss did not have significant impact on the Company's trade receivables and other receivables as at January 1, 2018.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at January 1, 2018.

The adoption of PFRS 15 did not have significant impact on the statement of financial position, financial performance and cash flows of the Company since bulk of its revenue comes from leasing operation which is covered by a different accounting standard.

Set out below is the disaggregation of the Company's revenue from non-lease component:

	2018	2017	2016
Dues (Note 14):			
Common area charges	**₱160,714,250**	₱139,671,291	₱134,273,207
Utilities dues	**8,599,875**	6,564,142	3,912,727
	₱169,314,125	₱146,235,433	₱138,185,934

Disaggregated revenue information
The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity.

Allocation of transaction price to performance obligation
Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

The Company assessed itself as agent on its arrangement with tenants for common area charges and utilities dues (see Note 3).

Timing of revenue recognition
Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that output method best represent the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

Deferral of Philippine Interpretations Committee Question and Answers (PIC Q&As) on accounting for Common Usage Service Area (CUSA)

On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 for a period of three years. The deferral will only be applicable for real estate transactions. The Company will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe on January 1, 2021.

The Company assessed itself as an agent in their arrangement with tenants for common area and utilities dues.

If the Company opted to not avail of any of the relief from the deferral and will comply in full requirement of PIC Q&A 2018-12, the Company will be acting as a principal on service arrangements for common area charges.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Standards and Interpretations Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows passes the SPPI criterion and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have no impact on the financial statements of the Company.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The standard is applicable to lease arrangement of the Company with ALI and HLC Development Corp. (HLC). The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in statement of comprehensive income. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted.

  The amendments are not applicable to the Company since it has no employee.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The amendments are not applicable to the Company since it has no associate or joint venture.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company is currently assessing the impact of this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The amendments are not applicable to the Company.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  These amendments are not applicable to the Company.

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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  These amendments have no impact on the financial statements of the Company.

<u>Current and Noncurrent Classification</u>
The Company presents assets and liabilities in the statement of financial position based on a current and noncurrent classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- Is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

<u>Cash</u>
Cash includes cash on hand and in banks. Cash in banks are stated at face amounts and earn interest at the prevailing bank deposit rates.

<u>Significant accounting policy before adoption of PFRS 9</u>

<u>Financial Instruments</u>
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The Company classifies its financial liabilities into financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market.

The Company determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2017 and 2016, the financial instruments of the Company are of the nature of loans and receivables and other financial liabilities.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the statement of financial position captions "Cash" and "Receivables".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The amortization is included in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

Loans and receivables are included in current assets if maturity is within 12 months or when the Company expects to realize or collect within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the statement of financial position captions "Accounts and other payables" (except statutory liabilities), "Security deposits" under "Deposits and other liabilities" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Deposits and other liabilities
Deposits and other liabilities which includes accrued rent and security deposits that are initially measured at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using effective interest method. Accrued rent is recognized for the difference between the straight-line recognition of rent income for financial reporting purposes and the rental income due for the year based on contract terms.

The difference between the cash received and its fair value is deferred (included in the "Deferred credits" under "Deposits and other liabilities" account in the statement of financial position) and amortized using the straight-line method and recognized as "Amortization of deferred credits" under the "Rental income" account in profit or loss. Accretion of discount is recorded under "Interest expense" account in profit or loss.

Derecognition of Financial Instruments
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

Impairment of Financial Assets
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or 'events') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Significant accounting policy on adoption of PFRS 9

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that passes the SPPI criterion. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Company's financial assets at amortized cost include cash and receivables.

The Company has no financial assets under FVOCI with or without recycling and FVTPL categories.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include accounts and other payables, deposits and other liabilities including security deposits, advance rent and deferred credits, and construction bonds.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the profit or loss.

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income. This category generally applies to trade payables, deposits and other liabilities.

Derecognition of Financial Instruments

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:
- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: valuation techniques for which the lowest level input that it is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

Other assets
Other assets include input value-added tax (VAT), prepaid expenses and creditable withholding taxes.

Input VAT
Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services which are incurred and billings which has been received as of date. The input VAT can also be recovered as tax credit against future income tax liability of the Company subject to the approval of the BIR. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Deferred Input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding one million pesos. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

Prepaid expenses
Prepaid expenses represent paid expenses that are not yet incurred. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Creditable withholding taxes
Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and utilized as tax credits against income tax due.

<u>Investment properties</u>
Investment properties comprise of construction-in-progress and completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.

These are carried at cost less accumulated depreciation and amortization and any impairment.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation of investment properties which consist of buildings, are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful life of the buildings is 40 years.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and equipment
Property and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation of property and equipment commences once the property and equipment are available for use and is computed on a straight-line basis over the estimated useful life of the property and equipment as follows:

	Years
Electronic data processing equipment	5

The assets' useful lives and depreciation and amortization method are reviewed periodically to ensure that the amounts, periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against profit or loss.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

Equity
Paid-up capital
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Stock issuance costs
Stock issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to "Retained earnings".

Treasury shares
Treasury shares are the Company's own equity instruments which were reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-up capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-up capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings
Retained earnings represent the cumulative balance of net income of the Company, net of dividend distribution, if any.

Revenue Recognition
The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Significant accounting policy before adoption of PFRS 15
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Significant accounting policy on adoption of PFRS 15
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent

Rental income
Rental income under noncancellable and cancellable leases on investment properties is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts.

Dues
Dues are recognized when the related services are rendered. Common area, air conditioning, electricity and water dues in excess of actual charges and consumption are recorded as revenue since the Company acts as an agent for this service arrangements. Income from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

Interest income
Interest income is recognized as it accrues using EIR method.

Other income
Other income is recognized when earned.

Costs and Expenses
Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Leases

Company as lessor

Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Company as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense on a straight-line basis over the lease term while the variable rent is recognized as an expense based on terms of the lease contract.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred tax

Deferred income tax is provided using the liability method on all temporary differences, with certain exceptions between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Company's lease operations is its segment. Financial information on business segment is presented in Note 23 of the financial statements.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Summary of Significant Accounting Estimates, Judgments and Assumptions

The preparation of the accompanying financial statements in compliance with PFRS requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates, judgments and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

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

Principal versus agent considerations - Dues
The Company assessed itself as agent in their arrangement with tenants for common area and utilities dues based on the following assessment:

- The services that the Company promised to the tenant is to arrange for the maintenance of the common service area (e.g., cleaning, maintenance, security, lighting, etc.) that is being provided by another party;
- The services that the Company promised to the tenants is to arrange for the electricity and water supply to be provided by utility companies.

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

Operating lease commitments - Company as lessee
The Company has entered into contract of lease for the land spaces that it occupies. The Company has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Company considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Company accordingly accounted for these as operating leases.

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

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

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. The Company considered inflation rate and gross domestic product as its forecast economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

The carrying value of the Company's receivables amounted to ₱2,220.42 million, ₱534.42 million and ₱443.28 million as of December 31, 2018, 2017 and 2016, respectively, net of allowance for doubtful accounts amounting to ₱7.66 million as of December 31, 2018 and 2017 and ₱8.03 million as of December 31, 2016 (see Note 5).

Evaluating impairment of nonfinancial assets
The Company regularly reviews its nonfinancial asset for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect its nonfinancial assets.

The Company's nonfinancial assets are not impaired as of December 31, 2018, 2017 and 2016. The carrying values of the Company's nonfinancial assets follow:

	2018	2017	2016
Input VAT (Note 6)	**₱129,388,077**	₱97,530,086	₱90,524,439
Other noncurrent assets (Note 6)	**998,595,014**	192,509,107	192,257,282
Investment properties (Note 7)	**8,105,015,440**	1,155,750,359	1,198,768,355
	₱9,232,998,531	₱1,445,789,552	₱1,481,550,076

Estimating useful lives of investment properties
The Company estimates the useful life of its investment properties based on the period over which the asset is expected to be available for use. The estimated useful life of investment properties is reviewed at least annually and is updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of the asset. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. See Note 7 for the related balances.

Fair value determination of investment properties
The Company presents fair value of its investment properties carried at cost. The Company determines the fair value of the Company's investment properties using Income Approach. This is a comparative approach to value that uses significant unobservable inputs which considers the sales and related market data of similar or substitute properties and establishes a value estimate by processes involving comparison. See Note 7 for the related disclosures.

4. Cash

This account consists of:

	2018	2017	2016
Cash on hand	**₱22,500**	₱22,500	₱22,500
Cash in banks	**26,106,603**	17,145,524	32,643,444
	₱26,129,103	₱17,168,024	₱32,665,944

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.35% to 0.45% in 2018, 2017 and 2016. Interest income earned from cash in banks amounted to ₱0.10 million, ₱0.08 million and ₱0.12 million in 2018, 2017 and 2016, respectively (see Note 15).

5. Receivables

This account consists of:

	2018	2017	2016
Due from related parties (Note 19)	**₱1,936,214,187**	₱405,415,332	₱349,381,214
Trade receivables			
Accrued rent	**232,395,231**	93,646,773	54,121,782
Billed	**59,384,931**	42,934,020	45,573,138
Other receivables	**86,481**	88,881	2,237,334
	2,228,080,830	542,085,006	451,313,468
Less allowance for doubtful accounts	**7,664,917**	7,664,917	8,032,199
	2,220,415,913	534,420,089	443,281,269
Less noncurrent portion of trade receivables	**209,417,570**	86,773,563	51,877,710
	₱2,010,998,343	₱447,646,526	₱391,403,559

Accrued rent pertains to receivables resulting from the straight-line method of recognizing rental income.

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

Other receivables pertain to advances to third party in the ordinary course of business. These are noninterest-bearing and are collectible.

Allowance for doubtful accounts pertain to collectively identified impaired trade receivables.

The movements in allowance for doubtful accounts follows:

	2018	2017	2016
Balance at beginning of year	**₱7,664,917**	₱8,032,199	₱1,625,057
Provisions (Note 16)	**–**	–	6,407,142
Reversals (Note 16)	**–**	(367,282)	–
Balance at end of year	**₱7,664,917**	₱7,664,917	₱8,032,199

6. Other Assets

Other current assets

This account consists of:

	2018	2017	2016
Input VAT	**₱129,388,077**	₱97,530,086	₱90,524,439
Prepaid commission	**83,160,469**	917,925	–
Creditable withholding taxes	**26,609,340**	3,886,389	4,495,834
Prepaid expenses	**7,956,885**	16,041,288	127,421
Advances to contractors	**4,449,473**	1,751,786	1,176,923
	251,564,244	120,127,474	96,324,617
Less allowance for impairment of input VAT	**46,811,357**	46,811,357	46,811,357
	₱204,752,887	₱73,316,117	₱49,513,260

Input VAT can be applied against output VAT in the succeeding periods. This includes input VAT claimed for refund or tax credit certificates which are awaiting approval from the BIR.

Prepaid commission pertains to payment of commission which is amortized over the lease term of the tenant contracts.

Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and are utilized as tax credits against income tax due.

Prepaid expenses pertain to cost of obtaining a contract with a utility company. This is amortized over the 2.5 years.

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

Other noncurrent assets
This account consists of:

	2018	2017	2016
Deferred input VAT	**₱804,030,738**	₱2,766,914	₱1,949,652
Input VAT	**194,564,276**	189,742,193	190,307,630
	₱998,595,014	₱192,509,107	₱192,257,282

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.00 million which is available for offset against the Company's future output VAT. The remaining balance is recoverable in future periods.

7. Investment Properties

	2018		
	Building and Improvements	Construction-in-Progress	Total
Cost			
At January 1	₱1,746,655,315	₱–	₱1,746,655,315
Additions	4,302,707,666	2,720,149,866	7,022,857,532
At December 31	6,049,362,981	2,720,149,866	8,769,512,847
Accumulated Depreciation			
At January 1	590,904,956	–	590,904,956
Depreciation (Note 15)	73,592,451	–	73,592,451
At December 31	664,497,407	–	664,497,407
Net Book Value	₱5,384,865,574	₱2,720,149,866	₱8,105,015,440

	2017	2016
Cost		
At January 1	₱1,742,414,335	₱1,722,677,622
Additions	4,240,980	19,736,713
At December 31	1,746,655,315	1,742,414,335
Accumulated Depreciation		
At January 1	543,645,980	499,295,477
Depreciation (Note 16)	47,258,976	44,350,503
At December 31	590,904,956	543,645,980
Net Book Value	₱1,155,750,359	₱1,198,768,355

On October 5, 2018, the Company and ALI executed a deed of assignment wherein ALI assigned, transferred and conveyed its ownership, rights, interests and obligations, including without limitation, those relating to the construction, development and operation thereof, as well as certain permits licenses and contracts which it has obtained and entered into, respectively in connection with its obligation with the development of Ayala North Exchange (ANE) for a consideration amounting to ₱6,913.00 million.

Investment properties are composed of one (1) stand-alone building and one (1) mixed-used property, which are being leased out for office, retail and hotel spaces. The stand-alone building, Solaris One building, is located along Dela Rosa St. Legaspi Village, Makati City. The mixed-used property, ANE property, is still under construction and is composed of a business process outsourcing and headquarters towers, retail spaces and a hotel building, which is located along Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City.

Construction-in-progress pertains to ongoing construction, installation and related activities on certain investment property or other items necessary to prepare it for use. These are located in various locations and are transferred to the related investment property account once construction is completed and is ready for service.

The fair value of the investment properties were determined by independent and professionally qualified appraiser on March 26 2019. The fair value of investment properties amounted to ₱21,251.70 million which is not materially different as of December 31, 2018.

The fair value of the Company's investment properties was arrived using Income Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

The following table provides the fair value hierarchy of the Company's investment properties as of December 31, 2018 and 2017:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable Inputs (Level 2)	Significant unobservable inputs (Level 3)
ANE	March 26, 2019	P13,117,273,000	–	–	₱13,117,273,000
Solaris	March 26, 2019	8,134,422,000	–	–	8,134,422,000

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	Significant unobservable inputs
Solaris	Income approach	Prospective economic benefits of ownership into the future and these benefits are capitalized into an indication of value
Citygate	Income approach	Prospective economic benefits of ownership into the future and these benefits are capitalized into an indication of value

Rental income and dues earned from investment properties and direct operating expenses incurred are as follows:

	2018	2017	2016
Rental income (Note 13)	**₱696,017,710**	₱551,966,359	₱545,228,911
Dues (Note 14)	**169,314,125**	146,235,433	138,185,934
Direct operating expenses (Note 16)	**181,014,314**	145,442,372	146,018,844

8. Property and Equipment

This account pertains to electronic data processing equipment. The rollforward analyses follow:

	2018	2017	2016
Cost			
Balances at beginning of year	**₱1,888,872**	₱1,848,693	₱1,848,693
Additions	**–**	40,179	–
Balances at end of year	**1,888,872**	1,888,872	1,848,693
Accumulated Depreciation			
Balances at beginning of year	**1,773,217**	1,709,577	1,649,955
Depreciation (Note 16)	**64,162**	63,640	59,622
Balances at end of year	**1,837,379**	1,773,217	1,709,577
Net Book Value	**₱51,493**	₱115,655	₱139,116

There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2018, 2017 and 2016.

There are no contractual purchase commitments for property and equipment as of December 31, 2018, 2017 and 2016.

Costs of fully depreciated electronic data processing equipment still in use amounted to ₱1.59 million as of December 31, 2018 and ₱1.55 million as of December 31, 2017 and 2016.

9. Accounts and Other Payables

This account consists of:

	2018	2017	2016
Taxes payable	**₱187,966,846**	₱3,699,385	₱390,416
Due to related parties (Note 19)	**113,352,349**	19,790,423	27,696,758
Accrued expenses			
Repairs and maintenance	**6,399,576**	4,081,959	4,059,375
Light and water	**4,537,697**	3,644,341	7,558,848
Rent	**3,318,735**	–	–
Others	**22,861,269**	13,085,743	35,960,509
Accounts payable	**6,179,359**	9,299,322	5,518,094
Retention payable	**592,200**	484,200	535,481
	₱345,208,031	₱54,085,373	₱81,719,481

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

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.

Taxes payable consist of amounts payable to taxing authority pertaining to expanded withholding taxes which are noninterest-bearing and are normally settled within one (1) month.

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

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. The bond will be refunded after full completion of the construction, renovation or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounted to ₱2.74 million, ₱2.80 million and ₱3.56 million as of December 31, 2018, 2017 and 2016, respectively.

11. Deposits and Other Liabilities

This account consists of:

	2018	2017	2016
Advance rentals	**₱324,801,647**	₱120,974,132	₱121,372,602
Security deposits	**278,631,820**	106,325,664	89,834,688
Deferred credits	**69,069,960**	30,069,421	28,241,770
	672,503,427	257,369,217	239,449,060
Less current portion	**30,521,231**	9,154,209	8,535,304
	₱641,982,196	₱248,215,008	₱230,913,756

The current portion of this accounts follows:

	2018	2017	2016
Advance rentals	**₱6,318,693**	₱1,043,556	₱856,964
Security deposits	**23,379,284**	8,070,048	7,646,884
Deferred credits	**823,254**	40,605	31,456
	₱30,521,231	₱9,154,209	₱8,535,304

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

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three (3) months' rent and will be refunded to the lessee at the end of the lease term. Interest expense on security deposits amounted to ₱16.81 million, ₱4.02 million and ₱3.18 million in 2018, 2017 and 2016, respectively (see Note 16).

The rollforward of security deposits follows:

	2018	2017	2016
Gross Amount			
Balance at beginning of year	**₱153,405,313**	₱134,652,518	₱48,184,647
Additions	**206,995,538**	18,752,795	86,467,871
Terminations	**(4,566,669)**	-	-
Balance at end of year	**355,834,182**	153,405,313	134,652,518
Unamortized Discount			
Balance at beginning of year	**47,079,649**	44,817,830	16,900,500
Additions	**46,933,022**	6,277,686	31,099,767
Accretion (Note 16)	**(16,810,309)**	(4,015,867)	(3,182,437)
Balance at end of year	**77,202,362**	47,079,649	44,817,830
Net Amount	**₱278,631,820**	₱106,325,664	₱89,834,688

Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method. Amortization of deferred credits amounted to ₱7.93 million, ₱4.45 million and ₱3.65 million in 2018, 2017 and 2016, respectively, and is presented as part of "Rental income" in the statements of comprehensive income (see Note 13).

The rollforward of deferred credits follows:

	2018	2017	2016
Balance at beginning of year	**₱30,069,421**	₱28,241,770	₱796,649
Additions	**46,933,022**	6,277,685	31,099,767
Amortization (Note 13)	**(7,932,483)**	(4,450,034)	(3,654,646)
Balance at end of year	**69,069,960**	30,069,421	28,241,770
Less current portion	**823,254**	40,605	31,456
	₱68,246,706	₱30,028,816	₱28,210,314

12. Equity

Capital stock

The details of the Company's capital stock as of December 31, 2018, 2017 and 2016 follow:

	2018		
		Preferred	
	Common	**A**	**B**
Authorized	**1,174,000,000**	**–**	**–**
Par value per share	**₱10.00**	**₱–**	**₱–**
Issued and outstanding shares	**977,792,435**	**–**	**–**

	2017		
		Preferred	
	Common	A	B
Authorized	33,679,500	716,320,500	990,000,000
Par value per share	₱1.00	₱1.00	₱1.00
Issued and outstanding shares	12,924,300	–	970,000,000

	2016		
		Preferred	
	Common	A	B
Authorized	33,679,500	716,320,500	990,000,000
Par value per share	₱1.00	₱1.00	₱1.00
Issued and outstanding shares	12,924,300	–	990,000,000

The changes in the number of shares follow:

	2018			2017			2016		
	Common	Preferred		Common	Preferred		Common	Preferred	
		A	B		A	B		A	B
Authorized number of shares									
Balance at beginning of year at ₱1.00 par value	33,679,500	716,320,500	990,000,000	33,679,500	716,320,500	990,000,000	33,679,500	716,320,500	990,000,000
Reclassification of unissued Preferred A shares (b.i)	83,020,800	(83,020,800)	–	–	–	–	–	–	–
Reclassification of Preferred A shares held in treasury (b.ii)	633,299,700	(633,299,700)	–	–	–	–	–	–	–
Reclassification of Preferred B shares held in treasury (b.iii)	40,000,000	–	(40,000,000)	–	–	–	–	–	–
Reclassification of outstanding preferred B shares (b.iv)	950,000,000	–	(950,000,000)	–		–	–	–	–
Change in par value from ₱1.00 to ₱10.00 (c)	(1,566,000,000)	–	–	–	–	–	–	–	–
Increase in authorized capital stock at ₱10.00 par value (a)	1,000,000,000	–	–		–	–		–	
Balance at end of year	1,174,000,000	–	–	33,679,500	716,320,500	990,000,000	33,679,500	716,320,500	990,000,000
Issued shares									
Balance at beginning of year	12,924,300	633,299,700	990,000,000	12,924,300	633,299,700	990,000,000	12,924,300	633,299,700	–
Reclassification of Preferred A shares (b.ii)	633,299,700	(633,299,700)	–	–	–	–	–	–	–
Reclassification of Preferred B shares (b.iii and b.iv)	990,000,000	–	(990,000,000)	–	–	–		–	–
Change in par value from ₱1.00 to ₱10.00 (c)	(1,472,601,600)	–	–	–	–	–	–	–	–
Issuance of new shares (a)	881,500,005	–	–	–	–	–	–	–	990,000,000
Balance at end of year	1,045,122,405	–	–	12,924,300	633,299,700	990,000,000	12,924,300	633,299,700	990,000,000
Treasury shares									
Balance at beginning of year	–	(633,299,700)	(20,000,000)	–	(633,299,700)	–	–	(633,299,700)	–
Redemption of shares	–	–	(20,000,000)	–	–	(20,000,000)	–	–	–
Reclassification of Preferred A shares (b.ii)	(633,299,700)	633,299,700	–	–	–	–	–	–	–
Reclassification of Preferred B shares (b.iii)	(40,000,000)	–	40,000,000	–	–	–	–	–	–
Change in par value from ₱1.00 to ₱10.00 (c)	605,969,730	–	–	–	–	–	–	–	
Balance at end of year	(67,329,970)	–	–	–	(633,299,700)	(20,000,000)	–	(633,299,700)	–
Outstanding	977,792,435	–	–	12,924,300	–	970,000,000	12,924,300	–	990,000,000

a. On September 26, 2018, the Company's BOD approved the increase in authorized capital stock by ₱10 billion common shares with a par value of ₱1.00 per share and approved the subscription of ALI of ₱8.815 billion shares at ₱1.00 per share.

b. On the same date, the Company's BOD approved the reclassification of the following shares:
   i. ₱83,020,000 unissued Preferred A shares with a par value of ₱1.00 per share;
   ii. ₱633,299,700 Preferred A shares with a par value of ₱1.00 per share held in treasury
   iii. ₱40,000,000 of Preferred B shares with a par value of ₱1.00 per share held in treasury
   iv. ₱950,000,000 of outstanding Preferred B shares with a par value of ₱1.00 into ₱1,706,320,500 Common shares

c. Also, the Company's BOD approved that the par value of the common shares be increased from ₱1.00 to ₱10.00 per share.

On December 13, 2018, SEC approved the Company's application for (a) increase in authorized capital stock, (b) reclassification/conversion into common shares of (1) unissued Preferred A shares; (2) Preferred A shares held in treasury; (3) Preferred B shares held in treasury; and (4) outstanding Preferred B shares issued to ALO and its nominees, and (c) the increase in the par value of the common shares from ₱1.00 to ₱10.00 per share.

Preferred shares
On February 18, 2016, SEC approved the Company's application for increase in authorized capital stock, creation of new shares named as Preferred B shares and renaming original preferred shares as Preferred A shares.

Preferred shares A have the following features: (a) voting, (b) participating, (c) preferred in liquidation to the extent of par value, and (d) redeemable at the option of the Company.

Preferred shares B have the following features: (a) voting, (b) preferred in dividend over Common, (c) non-cumulative, (d) non-participating, (e) no pre-emptive right to any issue of shares, and (d) redeemable at the option of the Company.

As of December 31, 2018, preferred shares A and B are all converted to common shares.

Treasury shares
On December 13, 2018, the Company's treasury shares are all converted to common shares.

On September 26, 2018, the Company's BOD approved the redemption of Preferred B shares amounting to ₱20.00 million which was paid in 2018.

On October 26, 2017, the Company's BOD approved the redemption of Preferred B shares amounting to ₱20.00 million which was paid in 2017.

Retained earnings
On September 26, 2018, the Company's BOD approved the declaration of cash dividends of ₱25.96 per common share or an aggregate amount of ₱335.50 million and 5% coupon dividend amounting to ₱48.50 million to Preferred B stockholders of record as of October 26, 2017. These are paid in 2018.

On October 26, 2017, the Company's BOD approved the declaration of cash dividends of ₱24.22 per common share or an aggregate amount of ₱313.00 million and 5% coupon dividend amounting to ₱49.50 million to Preferred B stockholders of record as of October 26, 2016. These are paid in 2017.

On October 26, 2016, the Company's BOD approved the declaration of cash dividends of ₱24.54 per common share or an aggregate amount of ₱317.00 million and 5% coupon dividend amounting to ₱49.50 million to Preferred B stockholders of record as of December 31, 2015. These are paid in 2016.

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 make adjustments to it, in light of changes in economic conditions. The Company considers its total capital as capital

The Company's sources of capital as of December 31, 2018, 2017 and 2016 follow:

	2018	2017	2016
Paid-up capital	**₱10,451,224,050**	₱1,636,224,000	₱1,636,224,000
Treasury shares	**(673,299,700)**	(653,299,700)	(633,299,700)
Retained earnings	**722,691,606**	677,952,254	593,671,493
	₱10,500,615,956	₱1,660,876,554	₱1,596,595,793

The Company is not subject to any external capital requirement.

No changes were made in the Company's capital management objectives, policies or processes in 2018, 2017 and 2016.

13. Rental Income

This account consists of:

	2018	2017	2016
Office and retail	**₱652,943,086**	₱517,367,851	₱518,269,298
Parking fees	**35,142,141**	30,148,474	23,304,967
Amortization of deferred credits (Note 11)	**7,932,483**	4,450,034	3,654,646
	₱696,017,710	₱551,966,359	₱545,228,911

Rental income from office and parking includes income from straight-line method of recognizing rental income amounting to ₱138.75 million, ₱39.52 million and ₱41.55 million in 2018, 2017 and 2016, respectively.

14. Dues

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

	2018	2017	2016
Dues	**₱306,666,900**	₱273,428,400	₱280,947,909
Direct operating expenses			
Utilities	**91,418,469**	88,738,906	88,743,247
Outside services	**20,282,707**	14,984,364	14,670,645
Repairs and maintenance	**23,682,165**	21,775,416	37,997,947
Miscellaneous	**1,969,434**	1,694,281	1,350,136
	137,352,775	127,192,967	142,761,975
	₱169,314,125	₱146,235,433	₱138,185,934

15. Interest and Other Income

Interest Income
This account consists of:

	2018	2017	2016
Interest income from intercompany loans (Note 19)	**₱17,077,503**	₱9,979,440	₱7,171,256
Interest income from cash in banks (Notes 4 and 19)	**95,032**	76,241	123,313
	₱17,172,535	₱10,055,681	₱7,294,569

Other Income
This account pertains to income earned from interest and penalties arising from late payments amounting to ₱0.36 million, ₱0.58 million and ₱2.71 million in 2018, 2017 and 2016, respectively.

16. Costs and Expenses and Other Charges

Direct Operating Expenses
This account consists of:

	2018	2017	2016
Depreciation (Note 7)	**₱73,592,451**	₱47,258,976	₱44,350,503
Land lease (Notes 17 and 19)	**39,641,491**	35,559,393	35,001,618
Taxes and licenses	**34,414,200**	33,365,168	33,366,598
Management fees (Note 19)	**27,273,745**	26,154,707	27,833,264
Commission	**2,353,102**	–	–
Others	**2,127,845**	2,071,063	1,998,946
Insurance	**1,611,480**	1,033,065	3,467,915
	₱181,014,314	₱145,442,372	₱146,018,844

General and Administrative Expenses
This account consists of:

	2018	2017	2016
Taxes and licenses	**₱1,955,099**	₱3,928,573	₱4,672,849
Professional fees	**361,920**	348,000	360,680
Systems costs (Note 19)	**154,950**	150,000	132,080
Depreciation (Note 8)	**64,162**	63,640	59,622
(Reversal of) provision for doubtful account (Note 5)	**–**	(367,282)	6,407,142
Others	**1,637,951**	1,591,139	1,136,041
	₱4,174,082	₱5,714,070	₱12,768,414

Interest Expense
This account pertains to accretion of security deposit amounting to ₱16.81 million, ₱4.02 million and ₱3.18 million in 2018, 2017 and 2016, respectively (see Note 11).

17 Operating Lease Commitments

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

The future minimum rentals receivable under noncancellable operating leases are as follows:

	2018	2017	2016
Within one year	**₱1,043,809,274**	₱526,547,466	₱530,954,140
After one year but not more than five years	**4,599,357,333**	1,903,526,975	2,144,026,217
More than five years	**1,329,693,902**	698,460,155	1,115,442,202
	₱6,972,860,509	₱3,128,534,596	₱3,790,422,559

Rental income amounted to ₱696.02 million, ₱551.97 million and ₱545.23 million in 2018, 2017 and 2016, respectively (see Note 13).

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

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 19). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

Rental expense recognized as "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounted to ₱39.64 million, ₱35.56 million and ₱35.00 million in 2018, 2017 and 2016, respectively (see Note 16).

18. Income Tax

Provision for income tax consists of:

	2018	2017	2016
Current	**₱145,243,982**	₱101,290,488	₱99,739,879
Deferred	**(1,490,954)**	5,577,236	5,910,468
Final	**19,006**	13,431	24,663
	₱143,772,034	₱106,881,155	₱105,675,010

The current provision for income tax represents RCIT in 2018, 2017 and 2016.

The components of net deferred tax assets follow:

	2018	2017	2016
Deferred tax assets on:			
Advance rentals	**₱58,464,297**	₱34,932,664	₱35,004,389
Accrued expense	**6,681,109**	3,747,065	3,517,763
Allowance of doubtful accounts	**1,379,685**	1,379,685	-
	66,525,091	40,059,414	38,522,152
Deferred tax liabilities on excess of lease income over collections	**41,831,141**	16,856,419	10,695,867
	₱24,693,950	₱23,202,995	₱27,826,285

In 2018, 2017 and 2016, the Company availed of the optional standard deduction (OSD) and the tax rate of 18.00% for the years in which OSD is projected to be utilized was used in computing the deferred income taxes.

The reconciliation between the statutory income tax rate to the effective income tax rate shown in the statements of comprehensive income follows:

	2018	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%
Add (deduct) tax effect of:			
Nondeductible expenses	**3.01**	0.64	0.00
Nontaxable income	**(0.35)**	(0.25)	(0.21)
Deductible expenses due to option to use OSD	**(11.54)**	(11.06)	(9.87)
Effective income tax rate	**21.12%**	19.33%	19.92%

19. Related Party Transactions

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

Terms and Conditions of Transactions with Related Parties

The Company, in its regular conduct of business, has entered into transactions with related parties consisting of advances and 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. There have been no guarantees provided or received for any related party receivables or payables. The Company does not provide any allowance relating to receivable from related parties in prior years. There are also no ECL recognized in current year for related party receivables since there are no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

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

	2018			
Category	Volume	Outstanding Balance	Terms	Conditions
Due from related parties				
Parent Company				
Ayala Land, Inc. (a)	₱927,700,000	₱439,632,401	Noninterest-bearing due and demandable	Unsecured, no impairment
Other related parties				
Avida Land Corp. (b)	819,550,000	646,850,000	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	505,000,000	480,000,000	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	119,100,000	119,100,000	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	65,300,000	65,300,000	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	36,560,000	36,824,516	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	36,800,000	36,800,000	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	–	35,000,000	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	–	25,000,000	Interest-bearing; On demand	Unsecured; No impairment

(Forward)

Category	Volume	Outstanding Balance	Terms	Conditions
		2019		
Westview Commercial Ventures Corp. (b)	₱–	₱20,832,975	Interest-bearing; On demand	Unsecured; No impairment
Summerhill Commercial Ventures Corp. (b)	50,000,000	10,997,934	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Metro North, Inc. (b)	–	6,000,000	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (Alveo) (g)	–	2,848,390	Noninterest-bearing; On demand	Secured; No impairment
Airswift Transport, Inc. (b)	65,000,000	1,566,224	Interest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	–	348,293	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	–	157,495	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	–	119,260	Interest-bearing; On demand	Unsecured; No impairment
Southportal Properties, Inc. (b)	60,000,000	–	Interest-bearing; On demand	Unsecured; No impairment
Ten Knots Philippines, Inc. (b)	50,000,000	–	Interest-bearing; On demand	Unsecured; No impairment
		₱1,938,214,187		
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱123,787,320	₱106,809,378	Noninterest-bearing, due and demandable	Unsecured
Other Related Parties				
Direct Power Services, Inc. (d)	47,282,880	4,523,164	Noninterest-bearing; On demand	Unsecured
Makati Development, Inc. (e)	–	2,019,469	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	7,273,246	926,661	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	621,459	373,687	Noninterest-bearing, On demand	Unsecured
		₱113,352,349		

Category	Volume	Outstanding Balance	Terms	Conditions
		2017		
Due from related parties				
Parent Company				
Ayala Land, Inc. (a)	₱90,000,000	₱6,693,997	Noninterest-bearing, due and demandable	Unsecured, no impairment
Other related parties				
Avida Land Corp. (b)	–	107,800,000	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	–	73,300,000	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Metro North, Inc. (b)	50,000,000	55,000,000	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	35,000,000	35,000,000	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	–	35,000,000	Interest-bearing; On demand	Unsecured; No impairment
Summerhill Commercial Ventures Corp. (b)	30,000,000	30,357,335	Interest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	30,000,000	30,299,767	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	20,000,000	20,000,000	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	5,500,000	5,549,302	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	2,845,390	2,845,390	Noninterest-bearing; On demand	Secured; No impairment
Greenhaven Property Venture, Inc. (b)	34,000,000	2,282,816	Interest-bearing; On demand	Unsecured; No impairment
UP North Property Holdings, Inc. (b)	892,950	892,950	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	30,000,000	274,515	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	119,260	119,260	Interest-bearing; On demand	Unsecured; No impairment
		₱405,415,332		
Due to related parties				
Parent Company				
Ayala Land, Inc. (a)	₱56,977,618	₱11,732,043	Noninterest-bearing; On demand	Unsecured
Other Related Parties				
Direct Power Services, Inc. (d)	68,736,906	5,881,143	Noninterest-bearing; On demand	Unsecured
Makati Development, Inc. (e)	–	2,019,462	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	899,022	147,775	Noninterest-bearing, due and demandable	Unsecured
Ayala Property Management, Corp. (f)	5,154,707	–	Noninterest-bearing; On demand	Unsecured
		₱19,780,423		

Category	2017 Volume	 Outstanding Balance	 Terms	 Conditions
Due from related parties				
Parent Company				
Ayala Land, Inc. (a)	₱3,355,933	₱3,355,933	Noninterest-bearing, due and demandable	Unsecured; no impairment
Other related parties				
Avida Land Corp. (b)	226,700,000	226,700,000	Interest-bearing On demand	Unsecured No impairment
Amaia Land Corp. (b)	84,300,000	84,300,000	Interest-bearing On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	10,000,000	35,000,000	Interest-bearing On demand	Unsecured; No impairment
Avida Land Corp. (g)	–	5,281	Noninterest-bearing On demand	Secured No impairment
		₱349,361,214		
Due to related parties				
Parent Company				
Ayala Land, Inc. (a)	₱67,282,777	₱17,313,330	Noninterest-bearing On demand	Unsecured
Other Related Parties				
Direct Power Services, Inc. (d)	35,743,247	7,763,959	Noninterest-bearing On demand	Unsecured
Makati Development Inc. (e)	–	2,519,459	Noninterest-bearing On demand	Unsecured
Ayala Property Management Corp. (f)	7,833,754	–	Noninterest-bearing; On demand	Unsecured
		₱27,596,758		

The following describes the nature of the material transactions of the Company with related parties in 2018, 2017 and 2016:

(a) The Company's intercompany receivable from ALI pertains to collection of lease payments of tenant on behalf of the Company amounting to ₱29.63 million as of December 31, 2018 and payment of operating expenses for and on behalf of ALI amounting to ₱1.74 million, ₱6.69 million and ₱3.38 million as of December 31, 2018, 2017 and 2016, respectively.

ALI handles the lease management and marketing functions including key management personnel services of the Company and is entitled to receive a management fee. The Company recognized management fee amounting to ₱20.00 million in 2018, 2017 and 2016 (see Note 16).

The Company entered into a contract of lease with ALI to occupy a parcel of land where the building is located. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱36.32 million, ₱35.56 million and ₱35.00 million in 2018, 2017 and 2016, respectively (see Note 16).

ALI allocated system costs amounting to ₱0.15 million, ₱0.15 million and ₱0.13 million in 2018, 2017 and 2016, respectively (see Note 16).

ALI paid operating expenses for and in behalf of the Company amounting to ₱0.27 million, ₱0.01 million and ₱6.74 million in 2018, 2017 and 2016, respectively.

On October 5, 2018, the Company acquired the ANE property from ALI amounting to ₱6,913.00 million. The first installment for the payment amounting to ₱3,222.02 million was made on the same date, while the second and final installment amounting to ₱3,690.98 million was made on December 17, 2018 (see Note 7).

On the same date, ALI transferred the advance rent, security deposits and prepaid commission of existing tenants of ANE property amounting to ₱204.15 million, ₱204.17 million and ₱77.31 million, respectively.

(b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 2.19% to 2.36%, 2.36% to 2.98% and 2.19% to 2.55% per annum in 2018, 2017 and 2016, respectively.

The Company recognized interest income amounting to ₱17.08 million, ₱9.98 million and ₱7.17 million in 2018, 2017 and 2016, respectively (see Note 15).

Documentary stamp tax is paid by the borrowers at the time of the loan.

(c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱3.32 million in 2018 and nil in 2017 and 2016 of which the same amount remains unpaid in 2018 (see Note 16).

(d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱47.26 million in 2018 and ₱88.74 million in 2017 and 2016, of which the remaining payable amounted to ₱4.52 million, ₱5.89 million and ₱7.76 million as of December 31, 2018, 2017 and 2016, respectively.

(e) On December 19, 2006, the Company and Makati Development Corp. (the 'Contractor') signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of December 31, 2018, 2017 and 2016.

(f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year's rate. Provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget process. In the event no such approval is obtained, the management fee prevailing for the immediately preceding year shall apply. The Company recognized management fees amounting to ₱7.27 million, ₱6.15 million and ₱7.83 million in 2018, 2017 and 2016, respectively (see Note 16).

(g) Aiveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱2.68 million, ₱3.54 million and ₱3.50 million in 2018, 2017 and 2016 respectively, of which the remaining receivable amounted to ₱2.85 million as of December 31, 2018 and 2017 and ₱0.01 million as of December 31, 2016.

(h) The Company's intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱0.37 million, ₱0.15 million and nil in 2018, 2017 and 2016, respectively. The Company recognized accounting shared services in "Others" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱0.70 million, ₱0.90 million and nil in 2018, 2017 and 2016, respectively.

<u>Cash in bank</u>
The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to ₱4.39 million, ₱1.94 million and ₱5.52million in 2018, 2017 and 2016, respectively (see Note 4). Interest income earned from these deposits amounted to ₱34,038, ₱25,936 and ₱4,746 in 2018, 2017 and 2016, respectively (see Note 15).

<u>Compensation of Key Management Personnel</u>
The key management personnel of the Company are employees of ALI. The compensation of the said employees is paid by ALI and as such, the disclosures required by PAS 24, *Related Party Disclosures*, are included in ALI's financial statements.

20. Financial Assets and Liabilities

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

	2018		2017		2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Security deposits	₱278,631,820	₱267,898,715	₱106,325,664	₱85,260,224	₱89,834,688	₱70,402,627

Fair Value Hierarchy
As of December 31, 2018, 2017 and 2016, the Company has no financial instrument measured at fair value. In 2018, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

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

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2018, 2017 and 2016 are shown below:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Security deposits	DCF Method	Discount rate	2018: 0.39%-9.98% 2017: 1.89%-4.79% 2016: 3.15%-3.59%	Increase (decrease) in the discount would decrease (increase) the fair value

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

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

Exposure to 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.

ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. Generally trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rentals are considered in the calculation of impairment as recoveries. As of December 31, 2018, 2017 and 2016, 91.62%, 62.42% and 70.62% of the Company's trade receivables are covered by security deposits and advance rents, respectively. These deposits obtained by the Company resulted in the ECL of ₱7.66 million as of December 31, 2018 and 2017 and ₱8.03 million as of December 31, 2016.

The Company's credit risk exposure on the trade receivables using provision matrix are as follows:

	2018					
	Current	<30 days	30 to 60 days	61 to 90 days	>90 days	Total
Expected credit loss rate	0%	0%	0%	47.76%	58.54%	
Estimated total gross carrying amount at default	₱267,908,899	₱6,452,034	₱4,321,228	₱24,610	₱13,073,391	₱291,780,162
Expected credit loss	–	–	–	11,754	7,653,163	7,664,917

The Company's maximum exposure to credit risk as of December 31, 2018, 2017 and 2016 is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details follow:

	2018			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱26,106,603	₱–	₱26,106,603	₱–
Receivables				
Due from related parties	1,936,214,187	–	1,936,214,187	–
Trade receivables	291,780,162	267,898,715	103,440,660	188,339,502
Other receivables	86,481	–	86,481	–
	₱2,254,187,433	₱267,898,715	₱2,065,847,931	₱188,339,502

	2017			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱17,145,524	₱–	₱17,145,524	₱–
Receivables				
Due from related parties	405,415,332	–	405,415,332	–
Trade receivables	136,580,793	85,260,224	51,320,569	85,260,224
Other receivables	88,881	–	88,881	–
	₱559,230,530	₱85,260,224	₱473,970,306	₱85,260,224

	2016			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱32,643,444	₱–	₱32,643,444	₱–
Receivables				
Due from related parties	349,381,214	–	349,381,214	–
Trade receivables	99,594,920	70,402,627	29,292,293	70,402,627
Other receivables	2,237,334	–	2,237,334	–
	₱483,956,912	₱70,402,627	₱413,554,285	₱70,402,627

Given the Company's tenant mix and credit quality, it is not exposed to significant credit risks. As of December 31, 2018, 2017 and 2016, the aging analysis of receivables presented per class, follows:

	2018						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		<30 days	30-120 days	>120 days	Total	Impaired	Total
Receivables							
Due from related parties	₱1,718,632,252	₱45,815,790	₱3,116,316	₱168,649,829	₱217,581,935	₱–	₱1,936,214,187
Trade receivables	263,276,676	6,452,034	4,420,743	9,965,792	20,838,569	7,664,917	291,780,162
Others	-	-	86,481	–	86,481	–	86,481
	₱1,981,908,928	₱52,267,824	₱7,623,540	₱178,615,621	₱238,506,985	₱7,664,917	₱2,228,080,830

	2017						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		<30 days	30-120 days	>120 days	Total	Impaired	Total
Receivables							
Due from related parties	₱398,478,513	₱–	₱3,707,707	₱3,279,312	₱6,987,019	₱–	₱405,416,332
Trade receivables	117,898,775	7,145,172	3,657,926	213,993	11,017,091	7,664,917	136,580,793
Others	–	–	88,881	–	88,881	–	88,881
	₱516,327,088	₱7,145,172	₱7,454,524	₱3,493,305	₱18,093,001	₱7,664,917	₱542,085,336

	2016						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		<30 days	30-120 days	>120 days	Total	Impaired	Total
Receivables							
Due from related parties	₱287,764,094	₱25,300,000	₱–	₱36,317,120	₱61,617,120	₱–	₱349,381,214
Trade receivables	64,794,695	631,718	2,100,204	24,105,904	26,857,826	8,032,199	99,594,920
Others	-	-	2,237,334	-	2,237,334	-	2,237,334
	₱352,558,989	₱25,931,718	₱4,337,538	₱62,423,024	₱90,722,280	₱8,032,199	₱451,313,468

As of December 31, 2018, 2017, and 2016, all of the Company's neither past due nor impaired financial assets are considered as high grade.

The credit quality of the financial assets was determined as follows:

Cash in banks - based on the nature of the counterparty and the Company's internal rating system.

Receivables - high grade pertains to receivables from counterparties with no default in payment; medium grade pertains to receivables from counterparties with up to three (3) defaults in payment; and low grade pertains to receivables from counterparties with more than three (3) defaults in payment.

Liquidity risk

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

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

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

	2018		
	< 1 year	1 to < 5 years	Total
Financial assets			
Cash in banks	₱26,106,603	₱–	₱26,106,603
Receivables			
Due from related parties	1,936,214,187	–	1,936,214,187
Trade receivables*	284,115,245	–	284,115,245
Other receivables	86,481	–	86,481
	₱2,246,522,516	₱–	₱2,246,522,516
Financial liabilities			
Accounts and other payables			
Due to related parties	₱113,352,349	₱–	₱113,352,349
Accrued expenses	37,117,277	–	37,117,277
Accounts payable	6,179,359	–	6,179,359
Retention payable	592,200	–	592,200
Construction bonds	2,738,439	–	2,738,439
Security deposits	23,379,284	255,252,536	278,631,820
	₱183,358,908	₱255,252,536	₱438,611,444

*net of allowance for doubtful accounts

	2017		
	< 1 year	1 to < 5 years	Total
Financial assets			
Cash in banks	₱17,145,524	₱–	₱17,145,524
Receivables			
Due from related parties	405,415,332	–	405,415,332
Trade receivables*	128,915,876	–	128,915,876
Other receivables	88,881	–	88,881
	₱551,565,613	₱–	₱551,565,613
Financial liabilities			
Accounts and other payables			
Accrued expenses	₱20,812,043	₱–	₱20,812,043
Due to related parties	19,790,423	–	19,790,423
Accounts payable	9,299,322	–	9,299,322
Retention payable	484,200	–	484,200
Construction bonds	2,799,751	–	2,799,751
Security deposits	8,070,048	98,255,616	106,325,664
	₱61,255,787	₱98,255,616	₱159,511,403

*net of allowance for doubtful accounts

	2016		
	< 1 year	1 to < 5 years	Total
Financial assets			
Cash in banks	₱32,643,444	₱–	₱32,643,444
Receivables:			
Due from related parties	349,381,214	–	349,381,214
Trade receivables*	91,662,721	–	91,662,721
Other receivables	2,237,334	–	2,237,334
	₱475,947,713	₱–	₱475,924,713

*net of allowance for doubtful accounts

	2016		
	< 1 year	1 to < 5 years	Total
Financial liabilities			
Accounts and other payables:			
Accrued expenses	₱47,578,732	₱–	₱47,578,732
Due to related parties	27,696,758	–	27,696,758
Accounts payable	5,518,094	–	5,518,094
Retention payable	535,481	–	535,481
Construction bonds	3,561,282	–	3,561,282
Security deposits	7,646,884	82,187,804	89,834,688
	₱92,537,231	₱82,187,804	₱174,725,035

21. Notes to Statements of Cash Flow

The Company's financing activity pertains to the dividend payments made amounting to ₱384.00 million, ₱362.50 million and ₱366.50 million in 2018, 2017 and 2016, respectively.

22. Earnings Per Share

The Company's earnings per share for the years ended December 31, 2018, 2017 and 2016 were computed as follow:

	2018	2017	2016
Net income attributable to the equity holders of the Company	**₱488,591,374**	₱397,280,761	₱376,275,536
Weighted average number of common shares	**82,667,430**	1,292,430	1,292,430
Basic/Diluted earnings per share	**₱5.91**	₱307.39	₱291.14

The Company also assessed that there were no potential dilutive common shares as of December 31, 2018, 2017 and 2016.

23. 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 lease operations is its only income generating activity and such is the measure used by the Chief Operating Decision Maker in allocating resources. The Company does not report its results based on geographical segments.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
One Dela Rosa Property Development, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited the financial statements of One Dela Rosa Property Development, Inc. (the Company) as at and for the years ended December 31, 2018, 2017 and 2016, on which we have rendered the attached report dated March 29, 2018.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the Company has only two (2) stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019, valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019
January 28, 2019 to January 27, 2022
PTR No. 7332588, January 3, 2019, Makati City

March 29, 2019

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
One Dela Rosa Property Development, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of One Dela Rosa Property Development, Inc. (the Company) as at and for the years ended December 31, 2018, 2017 and 2016 and have issued our report thereon dated March 29, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019, valid until January 30, 2022
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March 29, 2019

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
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B	Amounts Receivable from Directors, Officers, Employees, and Principai Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties wh'ch are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
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G	Guarantees of Securities of Other Issuers
H	Capital Stock
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J	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
K	Schedule of All Effective Standards and Interpretations Under Philippine Financial Reporting Standards
L	Financial Ratios

ONE DELA ROSA PROPERTY DEVELOPMENT
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2018

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱21,711,968	₱21,711,968	₱47,105
Bank of Philippine Islands	4,394,635	4,394,635	47,927
	26,103,603	26,106,603	95,032
Receivables			
Related parties	1,936,214,187	1,936,214.187	17,077,503
Third parties	291,780,162	291,780,162	–
Others	86,481	86,481	-
	2,228,080,830	2,228,080,830	17,077,503
	₱2,254,184,433	₱2,254,187,433	₱17,172,535

SCHEDULE B

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2018

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A

SCHEDULE C

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2018

	Receivable Balance	Payable Balance	Current portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2018

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
N/A	N/A	N/A	N/A	N/A	N/A	N/A

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2018

Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
N/A	N/A	N/A	N/A

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2018

Indebtedness to Related Parties (Long-term Loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2018

Guarantees of Securities of Other Issuers				
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2018

Capital Stock

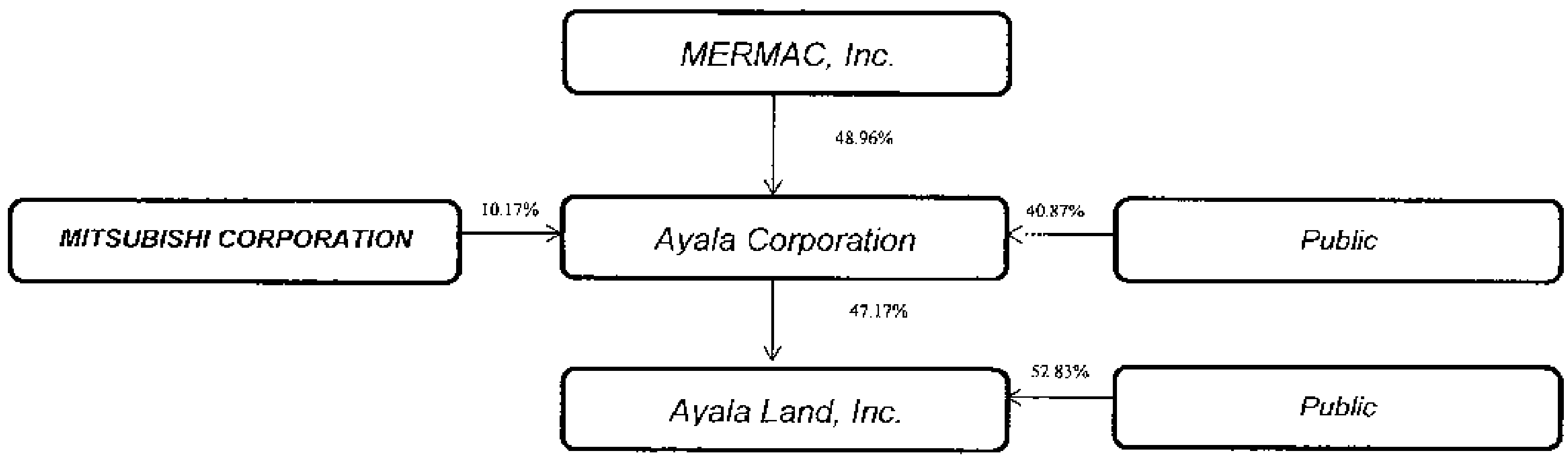
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	1,174,000,000	977,792,435	–	977,792,430	5	–
Preferred Shares	–	–	–	–	–	–
	1,174,000,000	977,792,435	–	977,792,430	5	–

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

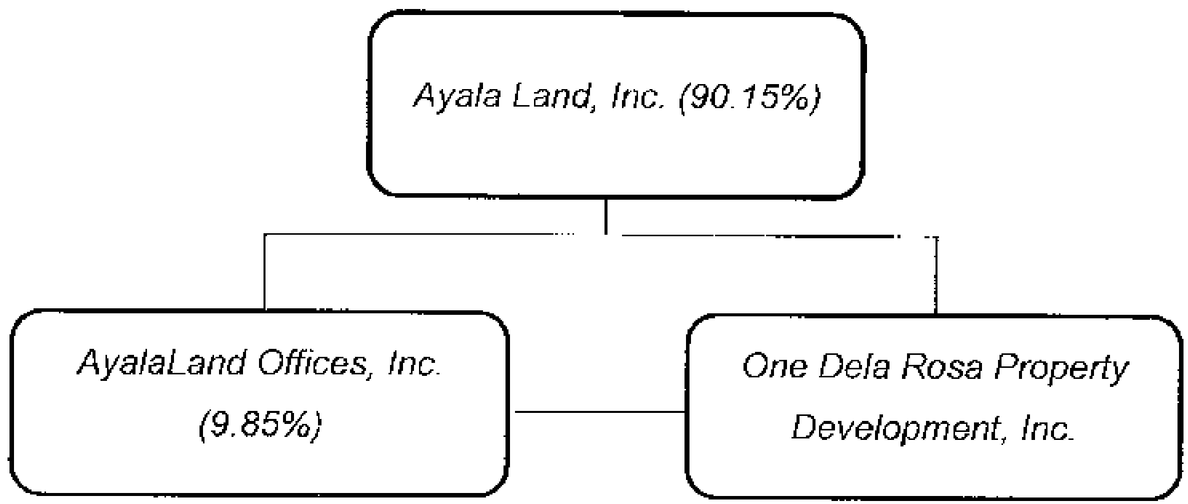
Unappropriated Retained Earnings, beginning	₱677,952,254
Less: Deferred tax assets	40,059,414
Unappropriated Retained Earnings, as adjusted, beginning	637,892,840
Net Income based on the face of AFS	537,091,374
Less: Non-actual/realized income net of tax	
Amount of provision for deferred tax during the year	26,465,677
Net Income Actual/Realized	510,625,697
Less: Dividend declarations during the period	384,000,000
Unappropriated Retained Earnings, as adjusted, ending	₱764,518,537

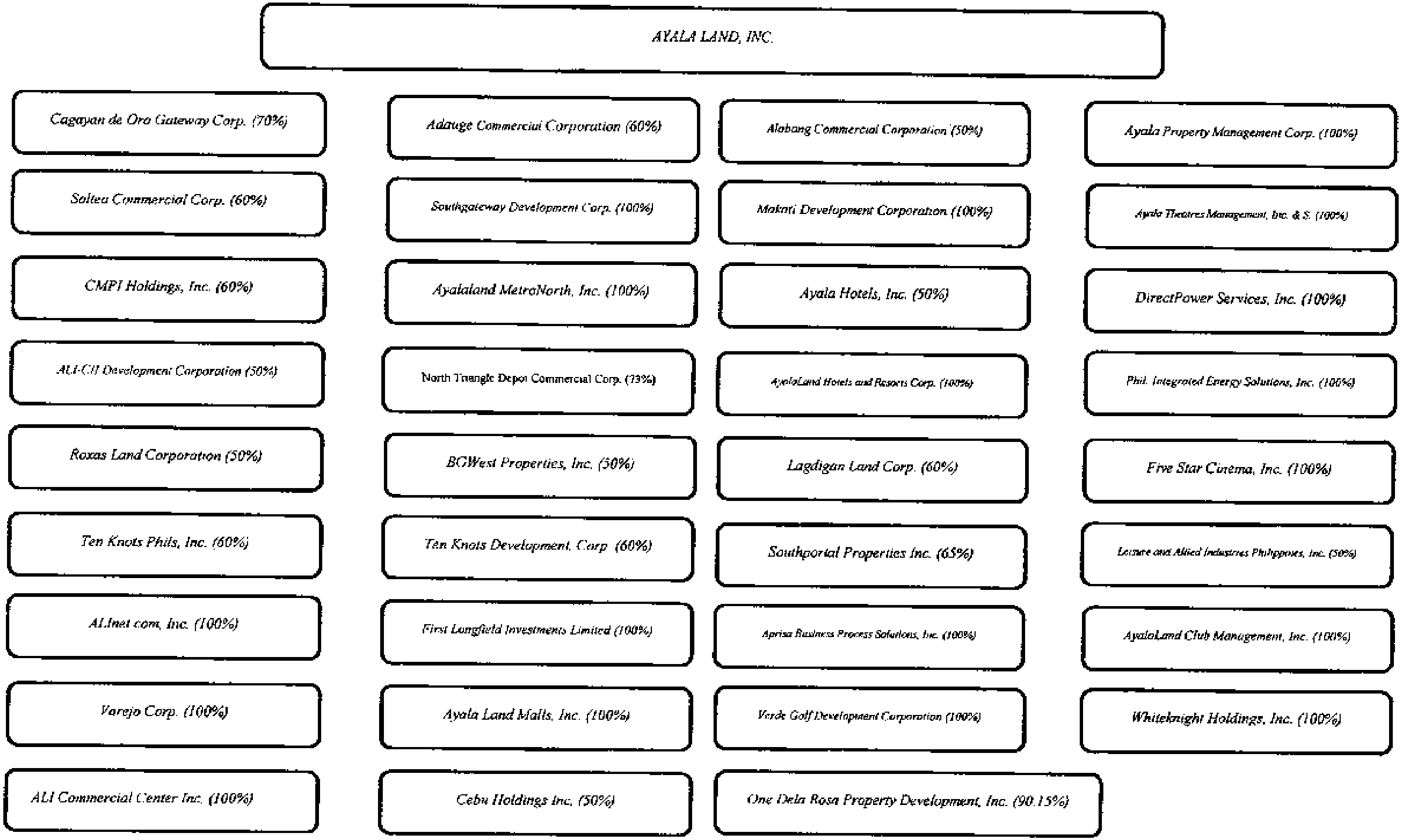
SCHEDULE J

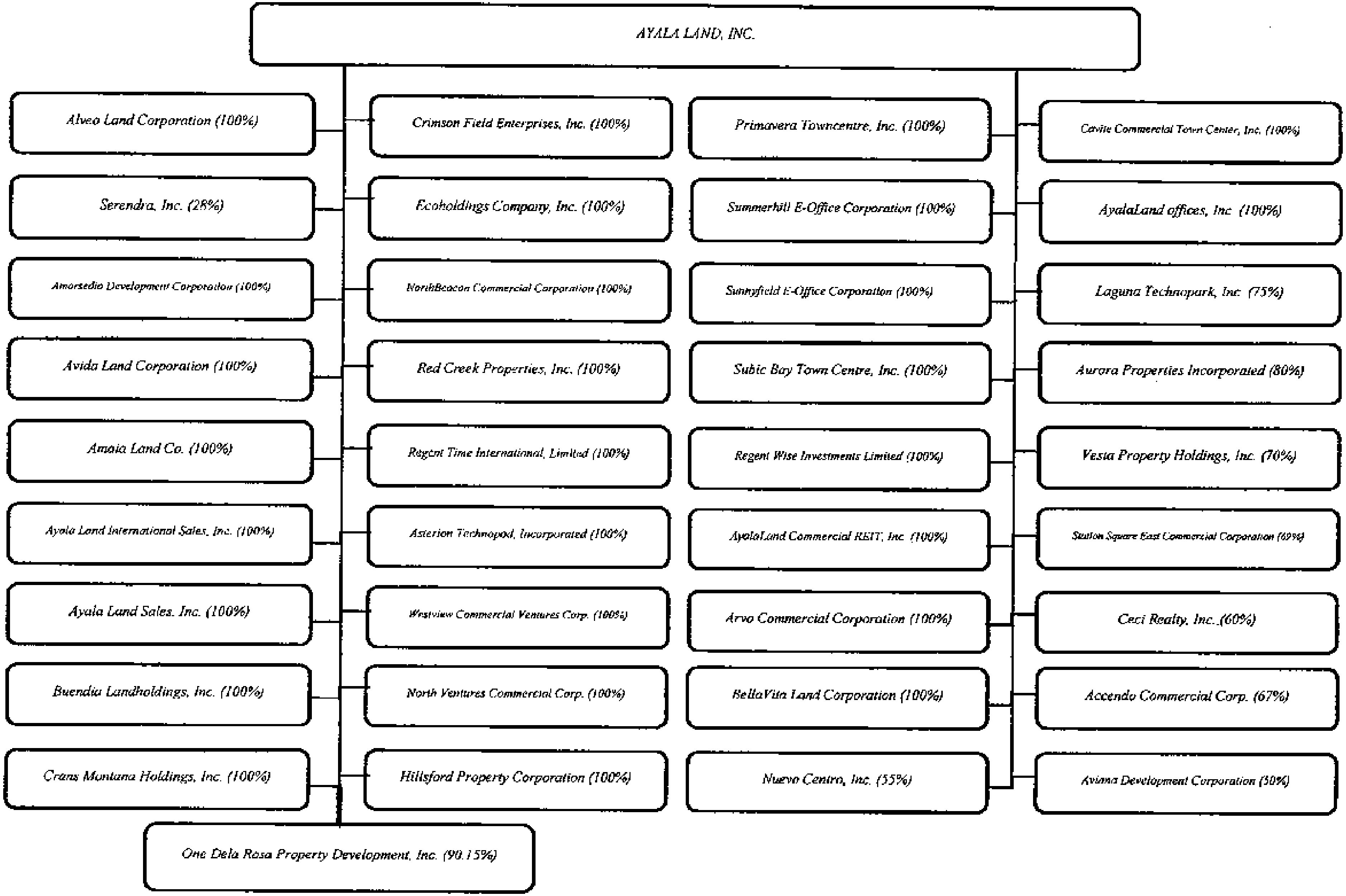
ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2018



ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2018




AYALA LAND, INC.
Cagayan de Oro Gateway Corp. (70%)
Soltea Commercial Corp. (60%)
CMPI Holdings, Inc. (60%)
ALI-CII Development Corporation (50%)
Roxas Land Corporation (50%)
Ten Knots Phils, Inc. (60%)
ALInet.com, Inc. (100%)
Varejo Corp. (100%)
ALI Commercial Center Inc. (100%)
Adauge Commercial Corporation (60%)
Southgateway Development Corp. (100%)
Ayalaland MetroNorth, Inc. (100%)
North Triangle Depot Commercial Corp. (73%)
BGWest Properties, Inc. (50%)
Ten Knots Development, Corp (60%)
First Longfield Investments Limited (100%)
Ayala Land Malls, Inc. (100%)
Cebu Holdings Inc. (50%)
Alabang Commercial Corporation (50%)
Makati Development Corporation (100%)
Ayala Hotels, Inc. (50%)
AyalaLand Hotels and Resorts Corp. (100%)
Lagdigan Land Corp. (60%)
Southportal Properties Inc. (65%)
Aprisa Business Process Solutions, Inc. (100%)
Verde Golf Development Corporation (100%)
One Dela Rosa Property Development, Inc. (90.15%)
Ayala Property Management Corp. (100%)
Ayala Theatres Management, Inc. & S. (100%)
DirectPower Services, Inc. (100%)
Phil. Integrated Energy Solutions, Inc. (100%)
Five Star Cinema, Inc. (100%)
Leisure and Allied Industries Philippines, Inc. (50%)
AyalaLand Club Management, Inc. (100%)
Whiteknight Holdings, Inc. (100%)


AYALA LAND, INC.
Alveo Land Corporation (100%)
Serendra, Inc. (28%)
Amorsedia Development Corporation (100%)
Avida Land Corporation (100%)
Amaia Land Co. (100%)
Ayala Land International Sales, Inc. (100%)
Ayala Land Sales, Inc. (100%)
Buendia Landholdings, Inc. (100%)
Crans Montana Holdings, Inc. (100%)
One Dela Rosa Property Development, Inc. (90.15%)
Crimson Field Enterprises, Inc. (100%)
Ecoholdings Company, Inc. (100%)
NorthBeacon Commercial Corporation (100%)
Red Creek Properties, Inc. (100%)
Regent Time International, Limited (100%)
Asterion Technopod, Incorporated (100%)
Westview Commercial Ventures Corp. (100%)
North Ventures Commercial Corp. (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office Corporation (100%)
Subic Bay Town Centre, Inc. (100%)
Regent Wise Investments Limited (100%)
AyalaLand Commercial REIT, Inc. (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
Nuevo Centro, Inc. (55%)
Cavite Commercial Town Center, Inc. (100%)
AyalaLand offices, Inc. (100%)
Laguna Technopark, Inc. (75%)
Aurora Properties Incorporated (80%)
Vesta Property Holdings, Inc. (70%)
Station Square East Commercial Corporation (69%)
Ceci Realty, Inc. (60%)
Accendo Commercial Corp. (67%)
Aviana Development Corporation (50%)

SCHEDULE K

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS DECEMBER 31, 2018

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		

[illegible]		Adopted	Not Adopted	Not Applicable
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓

[illegible]		[illegible]	[illegible]	[illegible]
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓

[illegible] Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Standards tagged as "Not Applicable" have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2018.

Standards tagged as "Not adopted" are standards issued but not yet effective as of December 31, 2018. The Company will adopt the Standards and Interpretations when these become effective.

ONE DELA ROSA PROPERTY DEVELOPMENT, INC.
FINANCIAL RATIOS
DECEMBER 31, 2018

	December 31		
	2018	2017	2016
CURRENT / LIQUIDITY RATIOS			
Current assets	**₱2,241,880,333**	₱538,130,667	₱473,582,763
Current liabilities	**437,055,648**	87,390,784	116,941,962
Current Ratios	**5.13**	6.16	4.05
Current assets	**₱2,241,880,333**	₱538,130,667	₱473,582,763
Less: Receivables	**2,010,998,343**	447,646,526	391,403,559
Other current assets	**204,752,887**	73,316,117	49,513,260
Quick assets	**26,129,103**	17,168,024	32,665,944
Current liabilities	**437,055,648**	87,390,784	116,941,962
Quick Ratios	**0.06**	0.20	0.28

	December 31		
	2018	2017	2016
SOLVENCY / DEBT-TO-EQUITY RATIOS			
Current portion of long-term debt	**₱–**	₱–	₱–
Long-term debt - net of current portion	–	–	–
Debt	–	–	–
Equity	**10,500,615,956**	1,660,876,554	1,596,595,793
Less: Non-controlling interests	–	–	–
Equity	**10,500,615,956**	1,660,876,554	1,596,595,793
Add/Less: Unrealized gain (loss) - AFS	–	–	–
Equity	**10,500,615,956**	1,660,876,554	1,596,595,793
Debt to Equity Ratio	**0.00**	0.00	0.00
Debt	**₱–**	₱–	₱–
Less: Cash	**26,129,103**	17,168,024	32,665,944
Net debt	**(26,129,103)**	(17,168,024)	(32,665,944)
Equity	**10,500,615,956**	1,660,876,554	1,596,595,793
Net Debt to Equity Ratio	**(0.00)**	(0.01)	(0.02)

	December 31		
	2018	2017	2016
ASSET TO EQUITY RATIOS			
Total assets	**₱11,579,653,800**	₱1,996,482,346	₱1,944,451,511
Total equity	**10,500,615,956**	1,660,876,554	1,596,595,793
Asset to Equity Ratios	**1.10**	1.20	1.22

	December 31		
	2018	2017	2016
INTEREST RATE COVERAGE RATIO			
Net income	**₱537,091,374**	₱446,780,761	₱425,775,536
Add:			
Provision for income tax	**143,772,034**	106,881,155	105,675,010
Interest expense	**16,810,309**	4,015,867	3,182,437
	697,673,717	557,677,783	534,632,983
Less:			
Interest Income	**17,172,535**	10,055,681	7,294,569
EBIT	**680,501,182**	547,622,102	527,338,414
Depreciation	**73,656,613**	47,322,616	44,410,125
EBITDA	**754,157,795**	594,944,718	571,748,539
Interest expense	**16,810,309**	4,015,867	3,182,437
Interest expense coverage ratio	**44.86**	148.15	179.66

	December 31		
	2018	2017	2016
PROFITABILITY RATIOS			
Net income	**₱537,091,374**	₱446,780,761	₱425,775,536
Revenue	**865,331,835**	698,201,792	683,414,845
Net Income Margin	**62%**	64%	62%
Net Income	**₱537,091,374**	₱446,780,761	₱425,775,536
Total assets CY	**11,579,653,800**	1,996,482,346	1,944,451,511
Total assets PY	**1,996,482,346**	1,944,451,511	1,849,596,432
Average Total Assets	**6,788,068,073**	1,970,466,929	1,897,023,972
Return on Total Assets	**8%**	23%	22%
Net Income	**₱537,091,374**	₱446,780,761	₱425,775,536
Total equity CY	**10,500,615,956**	1,660,876,554	1,596,595,793
Total equity PY	**1,660,876,554**	1,596,595,793	1,537,320,257
Average Total Equity	**6,080,746,255**	1,628,736,174	1,566,958,025
Return on Equity	**9%**	27%	27%

ANNEXES

APPENDIX

SPONSOR REINVESTMENT PLAN

In connection with the offer of AREIT, Inc. of:
Primary Offer of up to 47,864,000 Common Shares
Secondary Offer of up to 409,019,000 Common Shares
With an Over-allocation Option of up to 45,688,700 Common Shares
Offer Price of up to ₱27.00 per Offer Share

As of July 24, 2020

Table of Contents

I. EXECUTIVE SUMMARY

This Reinvestment Plan sets forth the planned use of the net proceeds received by Ayala Land, Inc. ("Ayala Land") from the secondary offer of AREIT, Inc. ("AREIT") shares and any money raised by Ayala Land from the sale of income-generating real estate to AREIT.

AREIT, Inc. intends to offer and sell up to 456,883,000 of its common shares, with a par value of ₱10 per share (the "Offer"). The firm offer shall comprise (i) 47,864,000 new common shares to be issued and offered by AREIT on a primary basis; and (ii) 409,019,000 existing common shares offered by Ayala Land, as existing shareholder, pursuant to a secondary offer (collectively, the "Firm Shares"). AREIT and Ayala Land have granted BPI Capital Corporation an option exercisable in whole or in part to purchase up to 45,688,700 additional shares (the "Optional Shares, and collectively with the Firm Shares, the "Offer Shares"). The Offer Shares shall be offered at a price of up to ₱27.00 per share. Ayala Land expects to receive net proceeds of approximately ₱11,958 million from the sale of secondary shares and Optional Shares (assuming full exercise of the over-allocation option, and after deducting fees and expenses payable by Ayala Land), in accordance with the Preliminary REIT Plan of AREIT. AREIT expects to receive net proceeds of approximately ₱1,188.5 million from the sale of primary shares (after deduction of estimated fees and expenses) and intends to use the majority of the net proceeds to fund the acquisition of Teleperformance Cebu from ALO Prime Realty Corporation ("APRC"), a wholly-owned subsidiary of Ayala Land, or an alternative property from Ayala Land, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and AREIT's financial and strategic investment criteria.

Pursuant to Securities and Exchange Commission ("SEC") Memorandum Circular No. 1, series of 2020, and Bureau of Internal Revenue ("BIR") – Revenue Regulations No. 3-2020, any sponsor/promoter of a REIT who contributes income-generating real estate to a REIT, shall submit a sworn statement to the SEC, the Philippine Stock Exchange ("PSE"), and the BIR, a reinvestment plan undertaking to reinvest any proceeds realized by the sponsor/promoter from the sale of REIT shares or other securities issued in exchange for income-generating real estate transferred to the REIT, and any money raised by the sponsor/promoter from the sale of any of its income-generating real estate to the REIT, in any real estate, including any redevelopment thereof, and/or infrastructure projects in the Philippines, within one (1) year from the date of receipt of proceeds or money by the sponsor/promoter.

Following current regulations, Ayala Land intends to invest its net proceeds in sixteen (16) commercial facilities comprising five (5) malls located within Metro Manila, Cebu, and Cavite, three (3) offices in Metro Manila, three (3) hotels, located in Metro Manila, three (3) dormitory residences, located in Metro Manila and Cebu, and two (2) warehouse buildings located in Laguna. All disbursements for such projects are intended to be distributed within one year upon receipt of the proceeds from the secondary offer of AREIT shares and any money raised by Ayala Land from the sale of income-generating real estate to AREIT. Please see section on "Reinvestment Plan" starting on page [6] of this Sponsor Reinvestment Plan for more details on the commercial facilities. Ayala Land does not intend to reinvest the net proceeds from the Offer Shares in any infrastructure project.

Any capitalized term not specifically defined herein shall have their respective meanings defined in the Preliminary REIT Plan.

II. ABOUT THE SPONSOR

a. Company Background

Ayala Land, Inc., is a public corporation organized under the laws of the Philippines. Spun off from its parent company, Ayala Corporation, in 1988, Ayala Land focuses on the real estate business of the Ayala group. Ayala Land went public in July 1991 when its class "B" common shares were listed on both the Manila and Makati Stock Exchanges. In 1997, the SEC approved the declassification of Ayala Land's common class "A" and common class "B" shares into common shares. 44.47% of Ayala Land's common shares are held by Ayala Corporation, 54.63% are held publicly, and 22.96% are held by foreign owners as of December 31, 2019.

Ayala Land 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. Ayala Land has successfully developed properties in and transformed the neighborhoods of the Makati CBD, Ayala Alabang, Cebu Park District, and Bonifacio Global City.[1] With 12,192 hectares in its land bank, 26 developed estates, and presence in 57 growth centers across the country, Ayala Land holds a balanced and complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses. Ayala Land has ample experience in the real estate industry in the Philippines, focusing its business on strategic business lines, including property development, commercial leasing, hotels and resorts, and real-estate-adjacent services.

Ayala Land's property development activities concern the sale of high-end residential lots and units (including leisure community developments), office spaces, commercial and industrial lots, middle-income residential lots and units, affordable lot units and house and lot packages, economic housing units and house and lot packages, and socialized housing packages, and the lease of residential units and marketing of residential developments. These products are developed and sold through Ayala Land Subsidiaries under a variety of brands, including AyalaLand Premier for high-end village lots and condominium units; Alveo Land Corp. for upscale village lots, condominium and office units; Avida Land Corp. for middle-income village lots, house and lot packages, condominium and office units; Amaia Land Corp. for economic house and lot packages; and BellaVita Land Corp. for the socialized house and lot packages.

Ayala Land's experience with commercial leasing is broad and encompasses the development and leasing of office buildings, factory buildings, shopping centers, and hotels and resorts. This experience also includes the operation of movie theaters, food courts, entertainment facilities, and carparks in developed shopping centers; management and operations of malls which are co-owned with partners; and operation and management of branded and owner-operated hotels.

Ayala Land also offers real estate related services such as construction, for land development and construction of Ayala Land and third-party projects, and property management, for properties of Ayala Land and third-party projects. Such property management activities also include operation of water and sewage treatment facilities, distribution of district cooling systems, and bulk purchase and supply of electricity for energy solutions. Construction and property management services are led by Ayala Land's Subsidiaries, Makati Development Corporation and Ayala Property Management Corporation, respectively.

b. Management and Organization

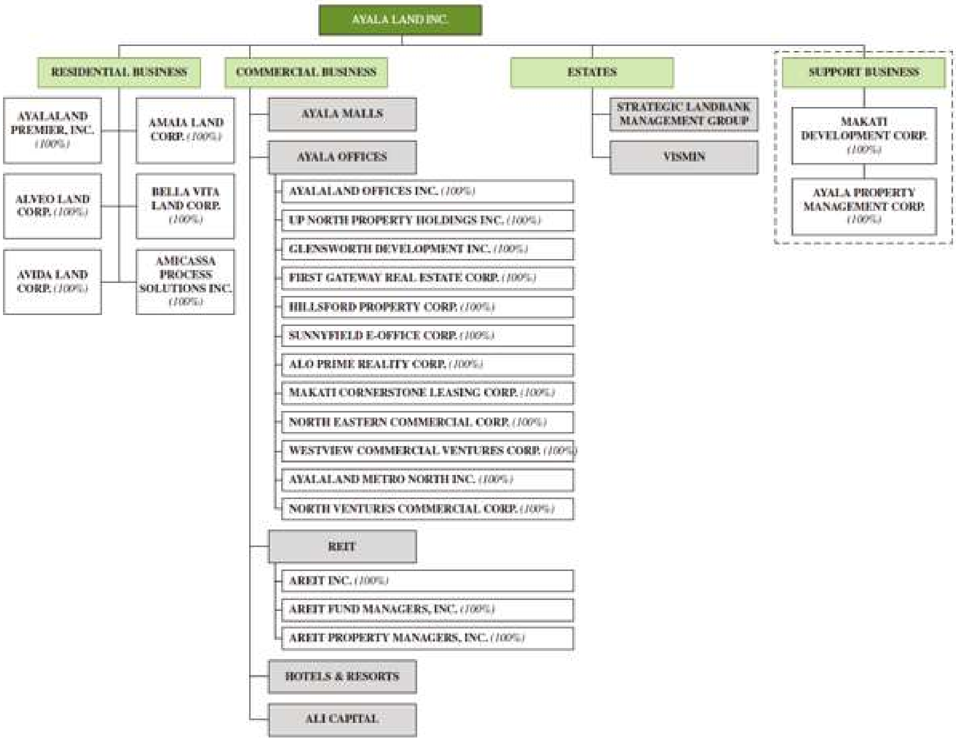
The following table provides information regarding the members of the executive management of Ayala Land.

Management Committee Members	Position
Bernard Vincent O. Dy	President and Chief Executive Officer
Dante M. Abando	President and Chief Executive Officer, Makati Development Corp.
Augusto D. Bengzon	Chief Finance Officer, Treasurer, & Chief Compliance Officer
Anna Ma. Margarita B. Dy	Group Head – Strategic Land Bank Management Group Head – Visayas – Mindanao Group Head – Corporate Marketing Group Head – Urban and Regional Planning

[1] AREIT, Inc. engaged Colliers International Philippines, Inc. to conduct an independent market research study on the real estate industry in the Philippines. Colliers is a leader in global real estate services. It provides a total real estate solution to both local and multinational corporation across all sectors worldwide. The Market Study on the Metro Manila Office Sector dated June 22, 2020 is attached to the Preliminary REIT Plan submitted by AREIT, Inc. to the Securities and Exchange Commission on June 29, 2020, as Annex [3].

Jose Emmanuel H. Jalandoni	Group Head – Commercial Business
Robert S. Lao	Group Head – Residential Business
Eliezer C. Tanlapco	Group Head – Human Resources and Public Affairs
Jaime E. Ysmael	President and Chief Executive Officer – Ortigas and Co.

Ayala Land's group structure is as follows:



III. PROCEEDS RECEIVED BY THE SPONSOR AND ALO PRIME REALTY CORPORATION

Pursuant to a secondary offer, Ayala Land is offering its existing 409,019,000 common shares in AREIT. Ayala Land expects to receive net proceeds of approximately ₱11,958 million from the sale of secondary shares and Optional Shares (assuming full exercise of the over-allocation option, and after deducting fees and expenses payable by Ayala Land), in accordance with the Preliminary REIT Plan of AREIT.

In addition, following the Primary Offer, AREIT intends to expand its building portfolio by acquiring a fourth property, Teleperformance Cebu, from ALO Prime Realty Corporation, a wholly-owned subsidiary of Ayala Land, which consists of two Philippine Export Zone Authority ("PEZA")-accredited BPO offices, competed in 2010 with a combined gross leasable area of 17,947.96 square meters, located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City, or an alternative property from Ayala Land, or any of its Subsidiaries or Affiliates, that financially and strategically meets or exceeds Teleperformance Cebu and AREIT's financial and strategic investment criteria. Proceeds from such acquisition is approximately ₱1,450 million.

IV. REINVESTMENT PLAN

Ayala Land intends to use net proceeds received from the secondary offer and any money raised from the sale of income-generating real estate to AREIT to fund ongoing and future investments in real estate properties in Metro Manila and other key regions in the Philippines, which Ayala Land may undertake on its own or through other subsidiaries (as indicated in the table below) (each an “Ayala Land Subsidiary”). The transfer of funding from Ayala Land to the relevant Ayala Land Subsidiary may be through a capital infusion or through shareholder financing. In either case, the relevant documentary stamp taxes will be paid by the proper party, subject to their agreement. This includes investment in commercial, office, hotel and factory buildings. The projected disbursements in connection with the proposed use of proceeds is provided in the succeeding table:

Project name	Description	Location	Investment Type	Product	Status	Percentage Completion	Completion Date	Total Planned Use for one year		4th Quarter 2020	1st Quarter 2021	2nd Quarter 2021	3rd Quarter 2021	Disbursing Entity
1. One Ayala (Malls)	5-storey regional mall with trade hall facilities (50k sqms GLA)	Makati	Investment in Building	Mall	Ongoing construction	82%	2021	**1,880,000,000**		-	742,000,000	698,000,000	440,000,000	ALI Commercial Center Inc. (100%-owned ALI subsidiary)
									Cumulative total	-	*742,000,000*	*1,440,000,000*	*1,880,000,000*	
									%	*0%*	*39%*	*77%*	*100%*	
2. Trinoma Expansion	9-storey retail mall that with a trade hall (50k sqms GLA)	Quezon City	Investment in Building	Mall	Launched	0%	2021	**457,000,000**		21,000,000	177,000,000	73,000,000	186,000,000	North Triangle Depot Commercial Corp. (73%-owned ALI subsidiary)
									Cumulative total	*21,000,000*	*198,000,000*	*271,000,000*	*457,000,000*	
									%	*5%*	*43%*	*59%*	*100%*	
3. Ayala Malls Vermosa	A 3-storey malls that will offer a distinct shopping and dining experience (35k sqms GLA)	Cavite	Investment in Building	Mall	Ongoing construction	99%	2021	**1,581,000,000**		261,000,000	440,000,000	440,000,000	440,000,000	Cavite Commercial Towncenter Inc. (100%-owned ALI subsidiary)
									Cumulative total	*261,000,000*	*701,000,000*	*1,141,000,000*	*1,581,000,000*	
									%	*17%*	*44%*	*72%*	*100%*	
4. Glorietta and Greenbelt Refresh	Renovation of the Glorietta and Greenbelt Malls	Makati	Investment in Building	Mall	Ongoing	65%	2021	**475,000,000**		119,000,000	164,000,000	146,000,000	46,000,000	ALI Commercial Center Inc. (100%-owned ALI subsidiary)
									Cumulative total	*119,000,000*	*283,000,000*	*429,000,000*	*475,000,000*	
									%	*25%*	*60%*	*90%*	*100%*	
5. Evo City (Retail)	Retail podium catering Evo City, an estate under Alveo brand (50k sqms GLA)	Cavite	Investment in Building	Mall	For launch	0%	TBD	**321,000,000**		39,000,000	94,000,000	94,000,000	94,000,000	Primavera Towncentre Inc. (100%-owned ALI subsidiary)
									Cumulative total	*39,000,000*	*133,000,000*	*227,000,000*	*321,000,000*	
									%	*12%*	*41%*	*71%*	*100%*	
6. One Ayala (BPO)	A two-tower office development (74k sqms GLA)	Makati	Investment in Building	Office	Ongoing construction	56%	2021	**2,147,000,000**		-	771,000,000	697,000,000	679,000,000	ALI Commercial Center Inc. (100%-owned ALI subsidiary)
									Cumulative total	-	*771,000,000*	*1,468,000,000*	*2,147,000,000*	
									%	*0%*	*36%*	*68%*	*100%*	
7. Ayala Triangle Garden 2 (Office)	40-storey premium office for lease development (64k sqms GLA)	Makati	Investment in Building	Office	Ongoing construction	74%	2021	**838,000,000**		-	838,000,000	-	-	Makati Cornerstone Leasing Corp. (100%-owned ALI subsidiary)
									Cumulative total	-	*838,000,000*	*838,000,000*	*838,000,000*	
									%	*0%*	*100%*	*100%*	*100%*	
9. Arca South Office	An office development for lease spread out through Arca South estate in Taguig (96k sqms GLA)	Taguig	Investment in Building	Office	Ongoing construction	29%	2023	**1,208,000,000**		93,000,000	311,000,000	388,000,000	416,000,000	Arca South Commercial Ventures Corp. (100%-owned ALI subsidiary)
									Cumulative total	*93,000,000*	*404,000,000*	*792,000,000*	*1,208,000,000*	
									%	*8%*	*33%*	*66%*	*100%*	
9. Seda One Ayala	600-room hotel in the heart of the Makati CBD	Makati	Investment in Building	Hotel	Ongoing construction	20%	2023	**533,000,000**		185,000,000	116,000,000	116,000,000	116,000,000	ALI / One Makati Hotel Ventures, Inc. (100%-owned ALI subsidiary)
									Cumulative total	*185,000,000*	*301,000,000*	*417,000,000*	*533,000,000*	
									%	*35%*	*56%*	*78%*	*100%*	
10. Seda Manila Bay	350-room hotel with extensive facilities and amenities	Manila	Investment in Building	Hotel	Ongoing construction	74%	2021	**322,000,000**		-	-	161,000,000	161,000,000	Bay Area Hotel Ventures, Inc. (100%-owned ALI subsidiary)
									Cumulative total	-	-	*161,000,000*	*322,000,000*	
									%	*0%*	*0%*	*50%*	*100%*	
11. Mandarin Oriental	A 276-room premium hotel located in the northern-tip of Ayala Triangle Gardens	Makati	Investment in Building	Hotel	Ongoing construction	59%	2023	**501,000,000**		-	167,000,000	167,000,000	167,000,000	ALI Triangle Hotel Ventures, Inc. (100%-owned ALI subsidiary)
									Cumulative total	-	*167,000,000*	*334,000,000*	*501,000,000*	
									%	*0%*	*33%*	*67%*	*100%*	

Project name	Description	Location	Investment Type	Product	Status	Percentage Completion	Completion Date	Total Planned Use for one year		4th Quarter 2020	1st Quarter 2021	2nd Quarter 2021	3rd Quarter 2021	Disbursing Entity
12. Flats Circuit	The largest co-living project to-date (13k sqms)	Makati	Investment in Building	Flats	Ongoing construction	81%	2021	**333,000,000**		75,000,000	86,000,000	86,000,000	86,000,000	Crans Montana Property Holdings, Inc. (100%-owned ALI subsidiary)
									Cumulative total	*75,000,000*	*161,000,000*	*247,000,000*	*333,000,000*	
									%	*23%*	*48%*	*74%*	*100%*	
13. Flats CITP	An addition to the The Flats portfolio which offers co-living spaces (10k sqms)	Cebu	Investment in Building	Flats	Ongoing construction	37%	2022	**423,000,000**		-	141,000,000	141,000,000	141,000,000	Cebu Holdings, Inc. (76%-owned ALI subsidiary)
									Cumulative total	-	*141,000,000*	*282,000,000*	*423,000,000*	
									%	*0%*	*33%*	*67%*	*100%*	
14. Flats CBP	An addition to the The Flats portfolio which offers co-living spaces (9k sqms)	Cebu	Investment in Building	Flats	Ongoing construction	24%	2023	**318,000,000**		-	106,000,000	106,000,000	106,000,000	Cebu Holdings, Inc. (76%-owned ALI subsidiary)
									Cumulative total	-	*106,000,000*	*212,000,000*	*318,000,000*	
									%	*0%*	*33%*	*67%*	*100%*	
16. LTI Standard Factory Building 4	A facility designed to cater to small and medium enterprises, logistics and warehouse facilities (62k sqms)	Laguna	Investment in Building	Warehouse Facility	Ongoing construction	61%	2021	**1,808,000,000**		101,000,000	569,000,000	569,000,000	569,000,000	Laguna Technopark Inc. (78%-owned ALI subsidiary)
									Cumulative total	*101,000,000*	*670,000,000*	*1,239,000,000*	*1,808,000,000*	
									%	*6%*	*37%*	*69%*	*100%*	
16. Lepanto Industrial Complex	A warehouse leasing facility (105k sqms)	Laguna	Investment in Building	Warehouse Facility	Ongoing construction	23%	2022	**263,000,000**		17,000,000	82,000,000	82,000,000	82,000,000	LCI Commercial Ventures Inc. (71%-owned ALI subsidiary)
									Cumulative total	*17,000,000*	*99,000,000*	*181,000,000*	*263,000,000*	
									%	*6%*	*38%*	*69%*	*100%*	
TOTAL								**13,408,000,000**		**911,000,000**	**4,804,000,000**	**3,964,000,000**	**3,729,000,000**	
									Cumulative	***911,000,000***	***5,715,000,000***	***9,679,000,000***	***13,408,000,000***	
									%	***7%***	***43%***	***72%***	***100%***	

While Ayala Land, and its subsidiaries shall endeavor to cause the completion of the construction of the projects enumerated above within the projected time-frame, the time of completion and accordingly, the timing of disbursements projected above, are subject to fire, earthquake, other natural elements, acts of God, war, civil disturbance, government and economic controls, delay in the construction timetable and progress billings arising out of unforeseen site conditions or difficulty in obtaining the necessary labor or materials for the projects, or due to any other cause beyond the control of Ayala Land, and its subsidiaries.

V. MONITORING AND REVIEW

Ayala Land shall monitor the actual disbursements of projects proposed in this Reinvestment Plan on a quarterly basis. For purposes of monitoring, Ayala Land shall prepare a quarterly progress report of actual disbursements on the projects covered by this Reinvestment Plan.

In the event of changes in the actual disbursements of projects proposed in this Reinvestment Plan, Ayala Land, shall inform the SEC, PSE, BIR or the appropriate government agency, by sending a written notice to that effect.

VI. REPORTING

Ayala Land shall comply with the reportorial and disclosure requirement prescribed by the SEC, PSE, BIR, or the appropriate government agency.

Ayala Land shall submit with the PSE, a quarterly progress report, and a final report on the implementation of the Reinvestment Plan, duly certified by its Chief Finance Officer, Treasurer, and External Auditor. The quarterly progress report shall be submitted to the PSE following the relevant PSE rules. Ayala Land shall likewise submit a final report on the implementation of the REIT Plan and submit the same to the PSE.

The Reinvestment Plan and the status of its implementation shall be included in the appropriate structured reports of Ayala Land to the SEC, and the PSE. Any investment pursuant to the Reinvestment Plan shall also be disclosed by Ayala Land via SEC Form 17-C as such investment is made. Ayala Land shall likewise furnish the SEC with copies of the relevant documentary stamp tax returns, as may be applicable.

CERTIFICATION

This REINVESTMENT PLAN was prepared and assembled under our supervision in accordance with existing rules of the Securities and Exchange Commission, Philippine Stock Exchange, and the Bureau of Internal Revenue. The information and data provided herein are complete, true, and correct to the best of our knowledge and/or based on authentic records.

By:

AYALA LAND, INC.
Sponsor

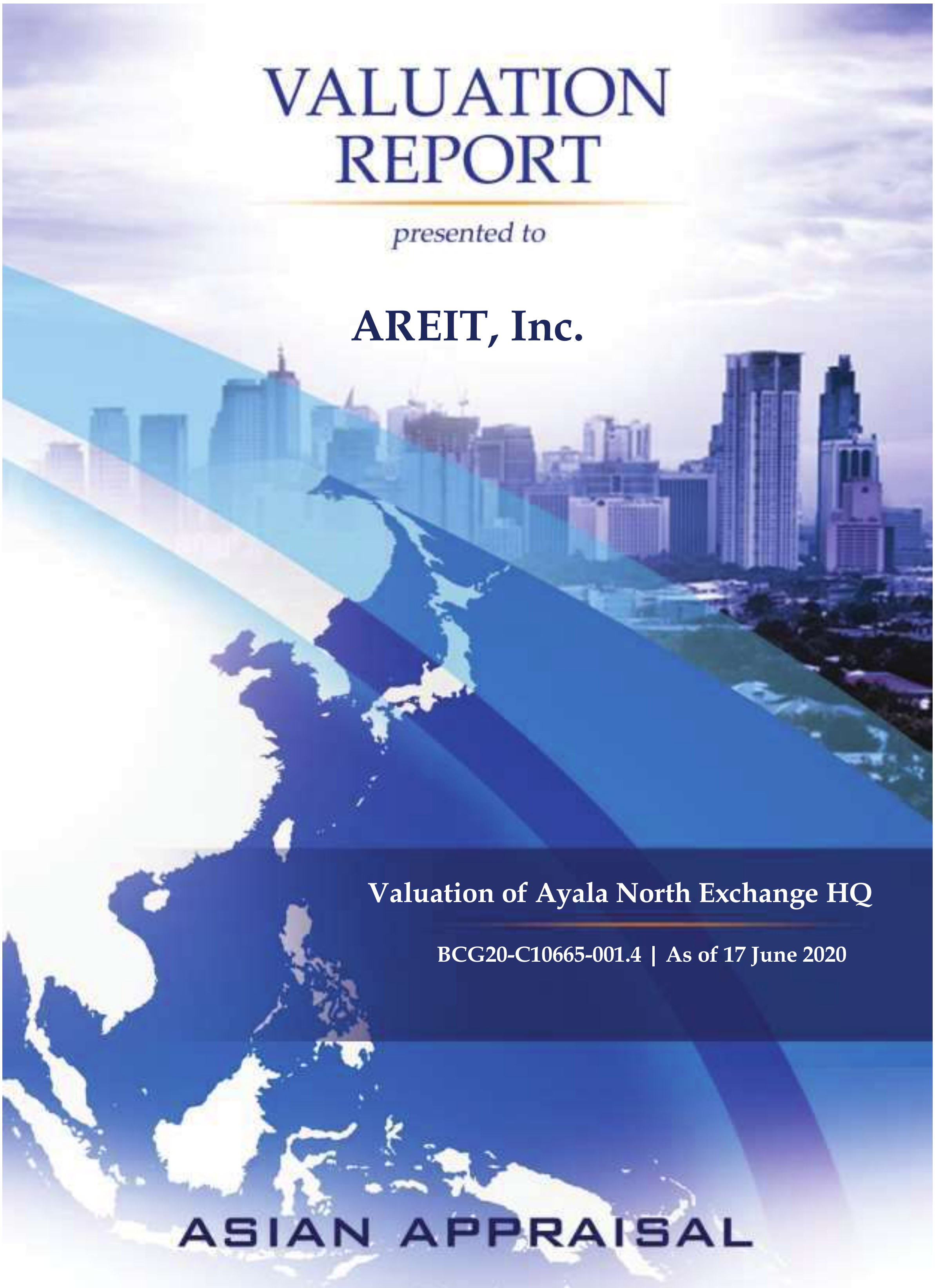
AUGUSTO D. BENGZON	**RONALD F. CUADRO**
Attorney-in-Fact	*Attorney-in-Fact*

SUBSCRIBED AND SWORN to before me this th day of July 2020 at Makati City, with the affiant/s exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. *Represented by:* Augusto D. Bengzon Ronald F. Cuadro	TIN: 000-153-790-000	

Doc. No. _______;
Page No. _______;
Book No. ______;
Series of 2020.

ANNEX 2


VALUATION
REPORT
presented to
AREIT, Inc.
Valuation of Ayala North Exchange HQ
BCG20-C10665-001.4 | As of 17 June 2020
ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

17 June 2020

AREIT, INC.
28th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

Attention: **MS. ELAINE MARIE F. ALZONA**
Chief Finance Officer

MR. MAPHILINDO S. TANDOC
Risk Manager

Re: **AACI File No. BCG20-C10665-001.4**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final* report on the valuation as of 17 June 2020, of ***Ayala North Exchange HQ,*** located at ***6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Barangay San Lorenzo, Makati City*** (the "PROPERTY") described as follows*:*

Purpose of the valuation:	For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.
Subject of the valuation:	The subject of the valuation is the Ayala North Exchange HQ, located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Barangay San Lorenzo, Makati City.
Basis of value:	The valuation was made on the basis of ***market value***.
	Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."
	Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date:	The valuation date is as of **17 June 2020.**
Opinion of value:	Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Ayala North Exchange HQ** as of 17 June 2020 is:

PESOS:
FIVE BILLION
ONE HUNDRED SIXTEEN MILLION
THIRTY THOUSAND ONLY
(In Words)

PHP5,116,030,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a ***Market Value*** of **PHP5,116,030,000.00** as of 17 June 2020, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part except in accordance with the purpose stated herein, without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.

k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.

n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.

o) Erasures on appraisal date and values invalidate this valuation report.

p) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 AREIT, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Based on analysis of prevailing building usage in the neighborhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/ INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting. Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	**4,457,630**	**4,450,942**	**(6,688)**		**-0.2%**	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, waterand waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	**1,370,256**	**1,328,950**	**(41,306)**		**-3.0%**	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3.

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/ INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accomodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsary social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	**2,646,494**	**2,682,772**	**36,278**		**1.4%**	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% growth in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/ INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	**297,690**	**304,340**	**6,650**		**2.2%**	

Source: PSA and AACI estimates, May 2020

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY and macroeconomic and industry data, we have relied on documents available from the Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA); and

b. For the project, we have used information provided by the CLIENT, online resources, AACI estimates and AACI database.

6 Particulars of the Property

6.1 Property Description

Ayala North Exchange in Makati Central Business District consists of two office towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 12-storey HQ Office. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. Seda Residences Makati contains 293 serviced apartments, which, together with other amenities and the back-of-house area, cover 18 floors of the building. There are six levels of basement parking. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively.

The Gross Leasable Area of the HQ is 21,367.76 sq.m. The building construction started in 2015 and completed in 2018. They started the operation the same year after the completion.

Figure 1: Ayala North Exchange Building Façade

6.2 Location

The building is located along Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City.

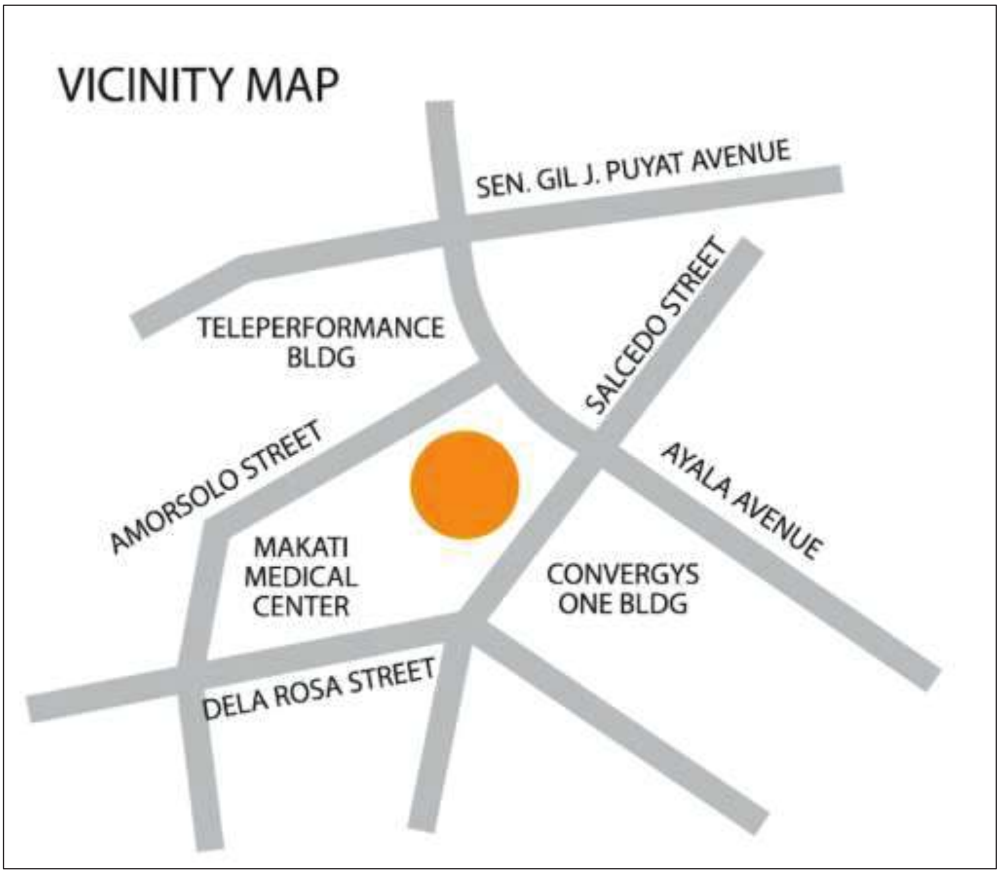


Figure 2: Vicinity Map

6.3 Property Ownership

The CLIENT owns the building while the land is under leasehold agreement with HLC Development Corporation for 44-years starting April 01, 2014 to March 31, 2058.

6.4 Existing Use of the PROPERTY

The building has an office space of 21,367.76 square meters and 415 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation. See below lease profile:

	GLA	Lease Start	Lease End
Office space	3,260.96	15-May-18	30-Jun-23
Office space	3,279.60	15-May-18	14-May-23
Office space	199.81	2-Aug-18	30-Apr-23
Office space	8,172.82	1-Jul-18	30-Apr-23
Office space	1,639.49	1-Jul-18	30-Apr-23
Office space	1,643.19	1-May-18	30-Apr-28
Office space	1,638.45	1-Feb-19	31-Jan-24
Retail space	1,533.44	15-Jan-19	14-Jan-26

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

a. it is the absolute and legal owner Ayala North Exchange HQ building, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
b. the Leased Land has been zoned for commercial use and the use of the land and building for commercial purposes is expressly allowed under the applicable zoning regulations; and
c. unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

a. each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
c. the execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law,

regulation or judgment, or violate any agreement binding upon either of them or any of their property; and

d. there is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSEE shall well and sufficiently preserve, repair and maintain in good, clean, tenantable condition (reasonable wear and tear excepted), at its own cost, the interiors of the Leased Premises, including the flooring, interior plaster or other finishes, doors, windows, cables, conduits, wirings, sockets, electrical installations and plumbing fixtures found in or about the Leased Premises. All windows, glass or plate glass of or in the Leased Premises broken or damaged by the LESSEE or its Sub-Lessees due to the fault or negligence of the LESSEE, its guests, employees or agents or its Sub-Lessees shall be replaced at the cost of the LESSEE or the Sub-Lessee. The Leased Premises and all additions and installations supplied by the LESSOR shall be kept in good clean working condition and repair (reasonable wear and tear excepted). The LESSEE shall provide itself, at its cost and expense, or cause its Sub-Lessee to provide itself at its cost and expense, with receptacles to hold and contain waste matter, garbage and refuse; shall keep or cause to keep, the same in securely sealed containers and shall dispose, or cause to dispose, of such garbage on a daily basis in the manner prescribed by the LESSOR. It shall keep drains, pipes, sanitary or plumbing apparatus, used exclusively by the LESSEE, its employees, guests, clients or customers or Sub-Lessees, their employees, guests, clients or customers, in good clean and tenantable condition (reasonable wear and tear excepted) and in accordance with the requirements imposed by regulations of governmental authorities and the LESSOR. The LESSEE shall pay the LESSOR for all costs in cleaning, repairing or replacing any of the same when found to be blocked or stopped owing to the careless and improper use or neglect thereof by the LESSEE, its employees, clients, customers or guests or its Sub-Lessees, their employees, clients, customers or guests. The LESSEE shall be responsible for any capital expenditure necessary and incidental to the maintenance and upkeep of the Leased Premises.

6.7.2 Assignment of Tenant Contract

The LESSEE shall not assign or transfer its rights under the Tenant Contract, nor sub-lease all or any part of the Leased Premises or enter into any arrangement whereby the use or possession of any part of the Leased Premises is transferred to any person, irrespective of whether rental or other consideration is given therefor. No right, title or interest to, in and under the Tenant Contract or the Leased Premises shall be deemed conferred or vested in any person other than the LESSEE, to the extent specified herein, without the LESSOR's prior written consent.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

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7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for AREIT, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^{t}}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\ /\ (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector as of the valuation date.

Cost of Equity		Delevered	Relevered
Risk free rate (10Y)	3.3340%		
Market rate of return	6.6025%		
Phil RE sector beta	1.2400	0.6593	2.2301
Cost of equity	7.3869%	5.4888%	10.6231%
Computation of Weighted Average Cost of Capital			
	Cost	**%**	**Weight**
Debt	5.07%	30.00%	1.06%
Equity	10.62%	70.00%	7.44%
		Weighted average cost of capital	**8.50%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$\mathbf{NPV = [\sum FVt / (1 + i)t] - I_0}$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used lease data provided by the COMPANY;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the rental income and operating expenses, we have used the data provided by the CLIENT and projected based on their 5-year forecast average;

7.9.4 For the depreciation expenses, we have used the data furnished to us by the CLIENT;

7.9.5 For the capital expenditures, we have assumed 3% of Revenues; and

7.9.6 The terminal value/reversion value is calculated using Gordon growth model.

8 Valuation conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Ayala North Exchange HQ** as of 17 June 2020 is:

PESOS:
FIVE BILLION
ONE HUNDRED SIXTEEN MILLION
THIRTY THOUSAND ONLY
(In Words)

PHP5,116,030,000.00
(In Figures)

9 Valuation date

This valuation is dated **17 June 2020.**

ANNEX A

AREIT, Inc.
AYALA NORTH EXCHANGE HQ
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2020	2021	2022	2023	2024	2025
Operating Expenses:							
General and Admin Expense	% of Revenue	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Other Operating Expense	% of Revenue	26.1%	26.1%	25.5%	25.3%	25.2%	24.9%
Dues	% of Revenue	-10.6%	-11.0%	-11.4%	-11.9%	-12.1%	-12.3%
Additional dues - office	PHP/sqm/yr	-	725.00	761.25	799.31	839.28	881.24
Dues- Office Tenants	21367.76	-	15,491,626.00	16,266,207.30	17,079,517.67	17,933,493.55	18,830,168.23
Additional Capital Expenditures	% of Revenue	3%	3%	3%	3%	3%	3%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	121,674,908	255,517,311	268,293,179	279,517,972	292,930,612	307,338,157
Retail	PHP	5,014,247	10,529,918	11,056,414	11,609,234	12,189,696	12,799,181
Parking	PHP	13,364,076	28,217,020	29,795,577	30,610,463	31,278,708	32,829,880
Total Rent Revenues	**PHP**	**140,053,231**	**294,264,249**	**309,145,170**	**321,737,670**	**336,399,016**	**352,967,218**
Less: Operating expenses	PHP						
General and Admin Expense	PHP	(672,000)	(1,389,696)	(1,436,946)	(1,485,802)	(1,536,319)	(1,588,554)
Depreciation Expense	PHP	(18,480,000)	(36,960,000)	(36,960,000)	(36,960,000)	(36,960,000)	(36,960,000)
Other Operating Expense	PHP	(36,544,098)	(76,669,582)	(78,753,647)	(81,537,723)	(84,900,998)	(87,982,649)
Dues	PHP	14,907,028	32,442,065	35,297,065	38,398,879	40,692,080	43,411,822
Capital Expenditures	PHP	(4,201,597)	(8,827,927)	(9,274,355)	(9,652,130)	(10,091,970)	(10,589,017)
Total OPEX	**PHP**	**(44,990,668)**	**(91,405,141)**	**(91,127,882)**	**(91,236,776)**	**(92,797,208)**	**(93,708,397)**
NET INCOME	PHP	95,062,563	202,859,108	218,017,288	230,500,894	243,601,808	259,258,821
Add: Depreciation	PHP	18,480,000	36,960,000	36,960,000	36,960,000	36,960,000	36,960,000
NET CASH FLOWS	PHP	113,542,563	239,819,108	254,977,288	267,460,894	280,561,808	296,218,821
Reversion Value - Building	**PHP**						
NET PRESENT VALUE							
Period lapsed	years	0.5000	1.5000	2.5000	3.5000	4.5000	5.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.9600	0.8848	0.8155	0.7516	0.6927	0.6385
Present value	**PHP**	**109,004,349**	**212,196,969**	**207,934,787**	**201,027,841**	**194,354,558**	**189,125,064**
Net present value (NPV)	**PHP**	**5,116,026,486**					
Rounded to:	**PHP**	**5,116,030,000**					

ANNEX A

AREIT, Inc.
AYALA NORTH EXCHANGE HQ
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2026	2027	2028	2029	Reversion Value
Operating Expenses:						
General and Admin Expense	% of Revenue	0.5%	0.5%	0.5%	0.5%	
Other Operating Expense	% of Revenue	24.9%	24.9%	24.9%	24.9%	
Dues	% of Revenue	-12.3%	-12.3%	-12.3%	-12.3%	
Additional dues - office	PHP/sqm/yr	925.30	971.57	1,020.15	1,071.16	
Dues- Office Tenants	21367.76	19,771,676.64	20,760,260.47	21,798,273.49	22,888,187.17	
Additional Capital Expenditures	% of Revenue	3%	3%	3%	3%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	322,653,799	338,732,758	355,613,081	373,334,712	
Retail	PHP	13,439,140	14,111,097	14,816,652	15,557,484	
Parking	PHP	34,208,133	35,644,247	37,140,651	38,699,877	
Total Rent Revenues	**PHP**	**370,301,072**	**388,488,102**	**407,570,384**	**427,592,074**	
Less: Operating expenses	PHP					
General and Admin Expense	PHP	(1,666,566)	(1,748,418)	(1,834,299)	(1,924,408)	
Depreciation Expense	PHP	(36,960,000)	(36,960,000)	(36,960,000)	(36,960,000)	
Other Operating Expense	PHP	(92,303,385)	(96,836,790)	(101,593,350)	(106,584,072)	
Dues	PHP	45,543,732	47,780,574	50,127,525	52,590,014	
Capital Expenditures	PHP	(11,109,032)	(11,654,643)	(12,227,112)	(12,827,762)	
Total OPEX	**PHP**	**(96,495,252)**	**(99,419,277)**	**(102,487,236)**	**(105,706,228)**	
NET INCOME	**PHP**	**273,805,820**	**289,068,825**	**305,083,148**	**321,885,845**	
Add: Depreciation	PHP	36,960,000	36,960,000	36,960,000	36,960,000	
NET CASH FLOWS	**PHP**	**310,765,820**	**326,028,825**	**342,043,148**	**358,845,845**	
Reversion Value - Building	**PHP**					**7,176,916,909**
NET PRESENT VALUE						
Period lapsed	years	6.5000	7.5000	8.5000	9.5000	9.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.5884	0.5423	0.4999	0.4607	0.4607
Present value	**PHP**	**182,868,940**	**176,820,642**	**170,973,232**	**165,320,005**	**3,306,400,100**
Net present value (NPV)	**PHP**					
Rounded to:	**PHP**					

VALUATION REPORT

presented to

AREIT, Inc.

Valuation of Ayala North Exchange BPO

BCG20-C10665-001.5 | As of 17 June 2020

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

17 June 2020

AREIT, INC.
28th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

Attention: **MS. ELAINE MARIE F. ALZONA**
Chief Finance Officer

MR. MAPHILINDO S. TANDOC
Risk Manager

Re: **AACI File No. BCG20-C10665-001.5**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final* report on the valuation as of 17 June 2020, of ***Ayala North Exchange BPO,*** located at ***6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Barangay San Lorenzo, Makati City*** (the "PROPERTY") described as follows*:*

Purpose of the valuation:	For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.
Subject of the valuation:	The subject of the valuation is the Ayala North Exchange BPO, located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Barangay San Lorenzo, Makati City.
Basis of value:	The valuation was made on the basis of ***market value***. **Market value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date:	The valuation date is as of **17 June 2020.**
Opinion of value:	Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Ayala North Exchange BPO** as of 17 June 2020 is:

PESOS:
SEVEN BILLION
THREE HUNDRED SEVENTY-FOUR MILLION
SIX HUNDRED SIXTY THOUSAND ONLY
(In Words)

PHP7,374,660,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a ***Market Value*** of **PHP7,374,660,000.00** as of 17 June 2020, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part except in accordance with the purpose stated herein, without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.

k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.

n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.

o) Erasures on appraisal date and values invalidate this valuation report.

p) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 AREIT, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Based on analysis of prevailing building usage in the neighborhood and the property itself, we are of the opinion that the existing mixed-use office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/ INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting. Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	**4,457,630**	**4,450,942**	**(6,688)**		**-0.2%**	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, waterand waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	**1,370,256**	**1,328,950**	**(41,306)**		**-3.0%**	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3.

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/ INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accomodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsary social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	**2,646,494**	**2,682,772**	**36,278**		**1.4%**	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% growth in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/ INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	**297,690**	**304,340**	**6,650**		**2.2%**	

Source: PSA and AACI estimates, May 2020

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY and macroeconomic and industry data, we have relied on documents available from the Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA); and

b. For the project, we have used information provided by the CLIENT, online resources, AACI estimates and AACI database.

6 Particulars of the Property

6.1 Property Description

Ayala North Exchange in Makati Central Business District consists of two office towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 12-storey HQ Office. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. Seda Residences Makati contains 293 serviced apartments, which, together with other amenities and the back-of-house area, cover 18 floors of the building. There are six levels of basement parking. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively.

The Gross Leasable Area of the BPO is 40,356.20 sq.m. The building construction started in 2015 and completed in 2019. They started partial operation in 2018.

Figure 1: Ayala North Exchange Building Façade

6.2 Location

The building is located along Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City.

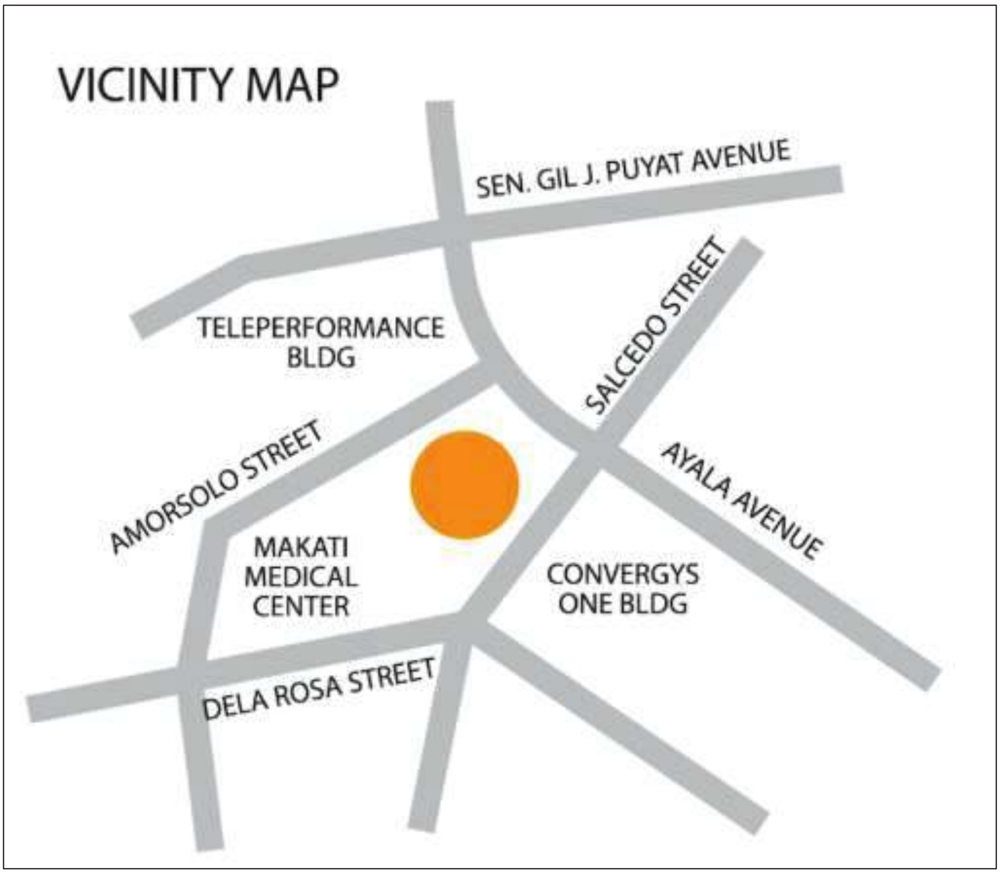


Figure 2: Vicinity Map

6.3 Property Ownership

The CLIENT owns the building while the land is under leasehold agreement with HLC Development Corporation for 44-years starting April 01, 2014 to March 31, 2058.

6.4 Existing Use of the PROPERTY

The building has an office space of 40,356.20 square meters and 211 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation. See below lease profile:

		Lease	
	GLA	Start	End
Office space	2,039.40	1-Oct-18	31-Mar-26
Office space	4,078.80	1-Oct-18	30-Sep-23
Office space	4,003.30	15-May-18	14-Apr-26
Office space	206.00	20-Jul-18	14-Apr-26
Office space	6,104.00	15-Sep-18	14-Apr-26
Office space	13,823.60	1-Jan-19	14-Apr-26
Office space	6,059.13	6-Jan-18	5-Jan-24
Office space	4,039.42	1-Jul-18	5-Jan-24

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

a. it is the absolute and legal owner of Ayala North Exchange BPO building, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
b. the Leased Land has been zoned for commercial use and the use of the land and building for commercial purposes is expressly allowed under the applicable zoning regulations; and
c. unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

a. each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;

c. the execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and
d. there is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSEE shall well and sufficiently preserve, repair and maintain in good, clean, tenantable condition (reasonable wear and tear excepted), at its own cost, the interiors of the Leased Premises, including the flooring, interior plaster or other finishes, doors, windows, cables, conduits, wirings, sockets, electrical installations and plumbing fixtures found in or about the Leased Premises. All windows, glass or plate glass of or in the Leased Premises broken or damaged by the LESSEE or its Sub-Lessees due to the fault or negligence of the LESSEE, its guests, employees or agents or its Sub-Lessees shall be replaced at the cost of the LESSEE or the Sub-Lessee. The Leased Premises and all additions and installations supplied by the LESSOR shall be kept in good clean working condition and repair (reasonable wear and tear excepted). The LESSEE shall provide itself, at its cost and expense, or cause its Sub-Lessee to provide itself at its cost and expense, with receptacles to hold and contain waste matter, garbage and refuse; shall keep or cause to keep, the same in securely sealed containers and shall dispose, or cause to dispose, of such garbage on a daily basis in the manner prescribed by the LESSOR. It shall keep drains, pipes, sanitary or plumbing apparatus, used exclusively by the LESSEE, its employees, guests, clients or customers or Sub-Lessees, their employees, guests, clients or customers, in good clean and tenantable condition (reasonable wear and tear excepted) and in accordance with the requirements imposed by regulations of governmental authorities and the LESSOR. The LESSEE shall pay the LESSOR for all costs in cleaning, repairing or replacing any of the same when found to be blocked or stopped owing to the careless and improper use or neglect thereof by the LESSEE, its employees, clients, customers or guests or its Sub-Lessees, their employees, clients, customers or guests. The LESSEE shall be responsible for any capital expenditure necessary and incidental to the maintenance and upkeep of the Leased Premises.

6.7.2 Assignment of Tenant Contract

The LESSEE shall not assign or transfer its rights under the Tenant Contract, nor sub-lease all or any part of the Leased Premises or enter into any arrangement whereby the use or possession of any part of the Leased Premises is transferred to any person, irrespective of whether rental or other consideration is given therefor. No right, title or interest to, in and under the Tenant Contract or the Leased Premises shall be deemed conferred or vested in any person other than the LESSEE, to the extent specified herein, without the LESSOR's prior written consent.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for AREIT, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^{t}}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV / (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector as of the valuation date.

Cost of Equity		Delevered	Relevered
Risk free rate (10Y)	3.3340%		
Market rate of return	6.6025%		
Phil RE sector beta	1.2400	0.6593	2.2301
Cost of equity	7.3869%	5.4888%	10.6231%
Computation of Weighted Average Cost of Capital			
	Cost	**%**	**Weight**
Debt	5.07%	30.00%	1.06%
Equity	10.62%	70.00%	7.44%
		Weighted average cost of capital	**8.50%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$\mathbf{NPV = [\sum FVt / (1 + i\ )t] - I_0}$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used lease data provided by the COMPANY;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the rental income and operating expenses, we have used the data provided by the CLIENT and projected based on their 5-year forecast average;

7.9.4 For the depreciation expenses, we have used the data furnished to us by the CLIENT;

7.9.5 For the capital expenditures, we have assumed 3% of Revenues; and

7.9.6 The terminal value/reversion value is calculated using Gordon growth model.

8 Valuation conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Ayala North Exchange BPO** as of 17 June 2020 is:

PESOS:
SEVEN BILLION
SIX HUNDRED FIFTY-FOUR MILLION
FIVE HUNDRED FORTY THOUSAND ONLY
(In Words)

PHP7,374,660,000.00
(In Figures)

9 Valuation date

This valuation is dated **17 June 2020.**

ANNEX A

AREIT, Inc.
AYALA NORTH EXCHANGE BPO
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2020	2021	2022	2023	2024	2025
Operating Expenses:							
General and Admin Expense	% of Revenue	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Other Operating Expense	% of Revenue	33.6%	33.5%	32.8%	32.4%	31.0%	30.3%
Dues	% of Revenue	-10.6%	-11.0%	-11.4%	-11.9%	-12.1%	-12.3%
Additional Capital Expenditures	% of Revenue	3%	3%	3%	3%	3%	3%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	220,686,544	457,804,570	475,057,626	485,439,186	499,407,587	524,221,378
Parking	PHP	6,071,127	12,654,051	13,191,437	13,329,050	13,849,133	14,538,942
Total Rent Revenues	**PHP**	**226,757,671**	**470,458,621**	**488,249,063**	**498,768,235**	**513,256,720**	**538,760,320**
Less: Operating expenses	PHP						
General and Admin Expense	PHP	(647,000)	(1,337,996)	(1,383,488)	(1,430,526)	(1,479,164)	(1,529,456)
Depreciation Expense	PHP	(34,815,000)	(69,630,000)	(69,630,000)	(69,630,000)	(69,630,000)	(69,630,000)
Other Operating Expense	PHP	(76,205,721)	(157,389,785)	(160,017,492)	(161,458,983)	(159,174,816)	(163,238,788)
Dues	PHP	24,135,701	51,867,154	55,746,493	59,527,195	62,085,447	66,262,718
Capital Expenditures	PHP	(6,802,730)	(14,113,759)	(14,647,472)	(14,963,047)	(15,397,702)	(16,162,810)
Total OPEX	**PHP**	**(94,334,751)**	**(190,604,385)**	**(189,931,959)**	**(187,955,361)**	**(183,596,235)**	**(184,298,336)**
NET INCOME	**PHP**	**132,422,921**	**279,854,235**	**298,317,104**	**310,812,874**	**329,660,485**	**354,461,984**
Add: Depreciation	PHP	34,815,000	69,630,000	69,630,000	69,630,000	69,630,000	69,630,000
NET CASH FLOWS	**PHP**	**167,237,921**	**349,484,235**	**367,947,104**	**380,442,874**	**399,290,485**	**424,091,984**
Reversion Value - Building	**PHP**						
NET PRESENT VALUE							
Period lapsed	years	0.5000	1.5000	2.5000	3.5000	4.5000	5.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.9600	0.8848	0.8155	0.7516	0.6927	0.6385
Present value	**PHP**	**160,553,542**	**309,230,970**	**300,062,031**	**285,946,885**	**276,601,887**	**270,767,480**
Net present value (NPV)	**PHP**	**7,374,655,638**					
Rounded to:	**PHP**	**7,374,660,000**					

ANNEX A

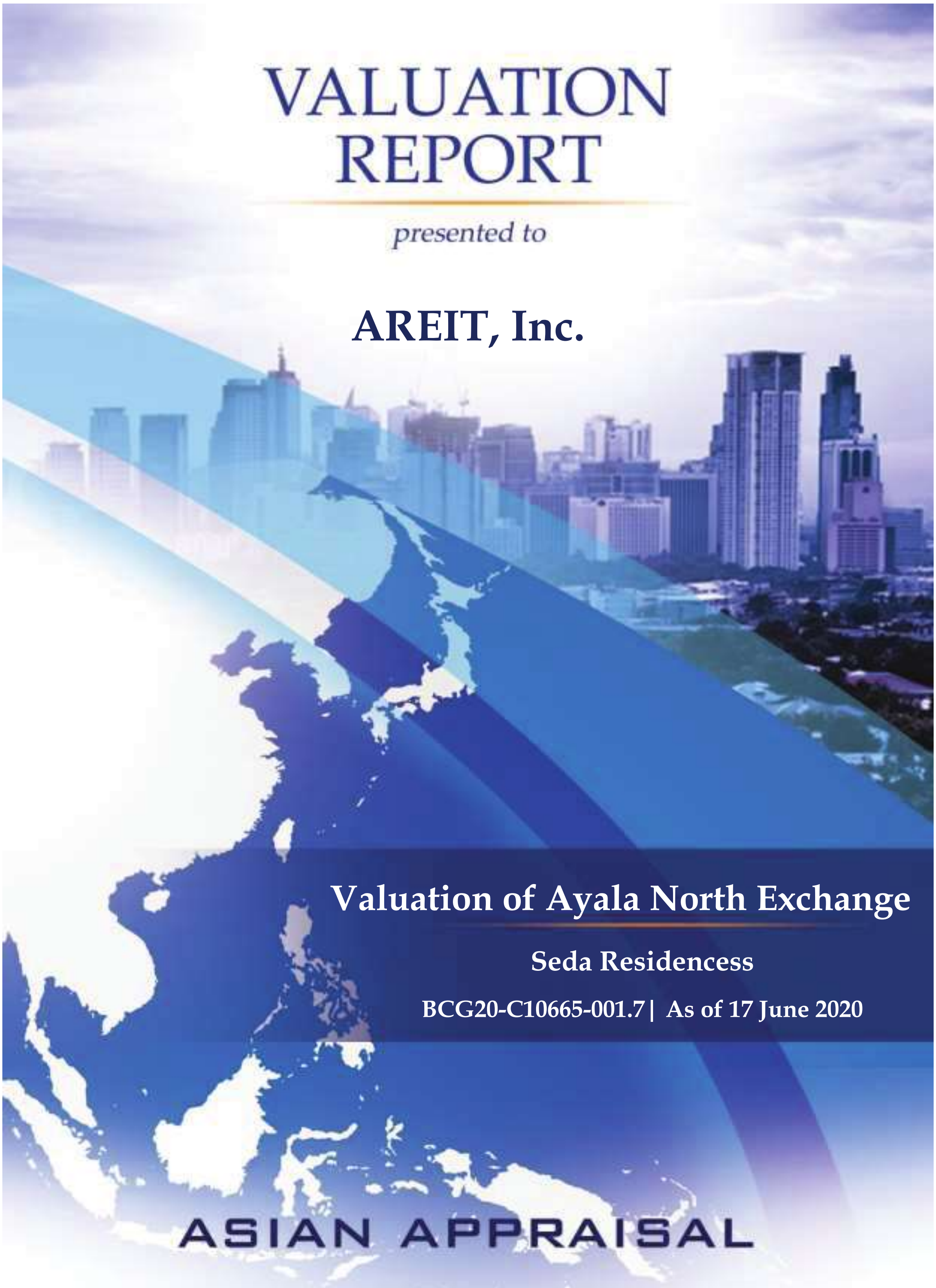
AREIT, Inc.
AYALA NORTH EXCHANGE BPO
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2026	2027	2028	2029	Reversion Value
Operating Expenses:						
General and Admin Expense	% of Revenue	0.3%	0.3%	0.3%	0.3%	
Other Operating Expense	% of Revenue	32.3%	32.3%	32.3%	32.3%	
Dues	% of Revenue	-15.4%	-15.4%	-15.4%	-15.4%	
Additional Capital Expenditures	% of Revenue	3%	3%	3%	3%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	548,932,086	574,834,532	601,987,023	630,450,745	
Parking	PHP	15,072,298	15,625,221	16,198,428	16,792,663	
Total Rent Revenues	**PHP**	**564,004,385**	**590,459,753**	**618,185,451**	**647,243,408**	
Less: Operating expenses	PHP					
General and Admin Expense	PHP	(1,609,268)	(1,684,753)	(1,763,863)	(1,846,773)	
Depreciation Expense	PHP	(69,630,000)	(69,630,000)	(69,630,000)	(69,630,000)	
Other Operating Expense	PHP	(181,908,505)	(190,441,163)	(199,383,541)	(208,755,613)	
Dues	PHP	87,097,639	91,183,068	95,464,671	99,952,011	
Capital Expenditures	PHP	(16,920,132)	(17,713,793)	(18,545,564)	(19,417,302)	
Total OPEX	**PHP**	**(182,970,266)**	**(188,286,641)**	**(193,858,296)**	**(199,697,677)**	
NET INCOME	**PHP**	**381,034,118**	**402,173,112**	**424,327,155**	**447,545,731**	
Add: Depreciation	PHP	69,630,000	69,630,000	69,630,000	69,630,000	
NET CASH FLOWS	**PHP**	**450,664,118**	**471,803,112**	**493,957,155**	**517,175,731**	
Reversion Value - Building	**PHP**					**10,343,514,616**
NET PRESENT VALUE						
Period lapsed	years	6.5000	7.5000	8.5000	9.5000	9.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.5884	0.5423	0.4999	0.4607	46.07%
Present value	**PHP**	**265,191,551**	**255,880,838**	**246,908,764**	**238,262,461**	**4,765,249,228**
Net present value (NPV)	**PHP**					
Rounded to:	PHP					

VALUATION REPORT

presented to

AREIT, Inc.



Valuation of Ayala North Exchange

Seda Residencess

BCG20-C10665-001.7 | As of 17 June 2020

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

17 June 2020

AREIT, INC.
28th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

Attention: **MS. ELAINE MARIE F. ALZONA**
Chief Finance Officer

MR. MAPHILINDO S. TANDOC
Risk Manager

Re: **AACI File No. BCG20-C10665-001.7**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final* report on the valuation as of 17 June 2020, of ***Ayala North Exchange – Seda Residences,*** located at Ayala Avenue corner Salcedo Street, Legaspi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila (the "PROPERTY") described as follows:

Purpose of the valuation:	For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.
Subject of the valuation:	The subject of the valuation is the Ayala North Exchange – Seda Residences, located at Ayala Avenue corner Salcedo Street, Legaspi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila.
Basis of value:	The valuation was made on the basis of ***market value***.
	Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)

Valuation date: The valuation date is as of **17 June 2020.**

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Ayala North Exchange – Seda Residences** as of 17 June 2020 is:

PESOS:
TWO BILLION
TWO HUNDRED SIXTEEN MILLION
FOUR HUNDRED NINETY THOUSAND ONLY
(In Words)

PHP2,216,490,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a ***Market Value*** of **PHP2,216,490,000.00** as of 17 June 2020, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part except in accordance with the purpose stated herein, without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.

k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.

n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.

o) Erasures on appraisal date and values invalidate this valuation report.

p) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 AREIT, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/ INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting. Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	**4,457,630**	**4,450,942**	**(6,688)**		**-0.2%**	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, waterand waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	**1,370,256**	**1,328,950**	**(41,306)**		**-3.0%**	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3.

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/ INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accomodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsary social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	**2,646,494**	**2,682,772**	**36,278**		**1.4%**	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% growth in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/ INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	**297,690**	**304,340**	**6,650**		**2.2%**	

Source: PSA and AACI estimates, May 2020

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;

b. For the term of lease, we have used documents provided by the COMPANY; and

c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistical Authority (PSA).

6 Particulars of the Property

6.1 Property Description

Ayala North Exchange in Makati Central Business District consists of two office towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 12-storey HQ Office. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. Seda Residences Makati contains 293 serviced apartments, which, together with other amenities and the back-of-house area, cover 18 floors of the building. There are six levels of basement parking. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively.

The Gross Leasable Area of the Serviced Residences is 26,034 square meters. The building construction started in 2015 and completed in 2019. They started the operation the same year after the completion.

Figure 1: Building Façade

6.2 Location

The building is located along Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City, Metropolitan Manila.

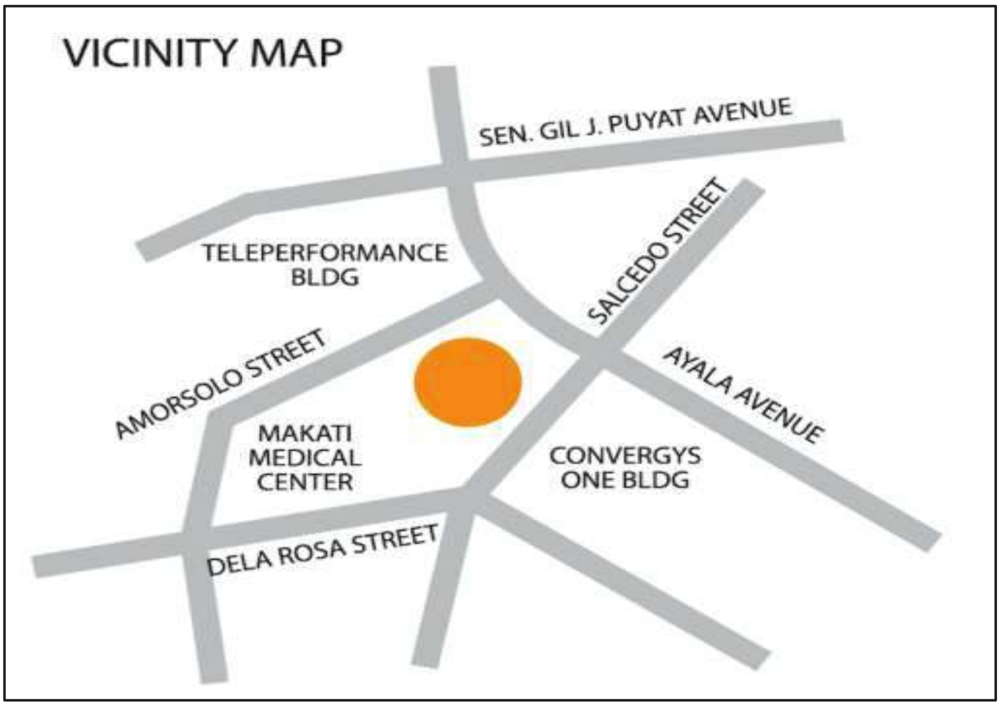


Figure 2: Vicinity Map

6.3 Property Ownership

The CLIENT owns the building while the land is under leasehold agreement with Ayala Land, Inc. for 44-years starting April 01, 2014 to March 31, 2058.

6.4 Existing Use of the PROPERTY

The 293 service apartments has a gross leasable area of 26, 034 square meters and 107 parking slots.

6.5 Occupancy Rate and Lease Profile

Seda Residences is 100% occupied as of the time of valuation.

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

a. it is the absolute and legal owner of Ayala North Exchange, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
b. the Leased Land has been zoned for commercial use and the use of the land and Ayala North Exchange for commercial purposes is expressly allowed under the applicable zoning regulations; and
c. unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

a. each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
c. the execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and
d. there is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSEE shall well and sufficiently preserve, repair and maintain in good, clean, tenantable condition (reasonable wear and tear excepted), at its own cost, the interiors of the Leased Premises, including the flooring, interior plaster or other finishes, doors, windows, cables, conduits, wirings, sockets, electrical installations and plumbing fixtures found in or about the Leased Premises. All windows, glass or plate glass of or in the Leased Premises broken or damaged by the LESSEE or its Sub-Lessees due to the fault or negligence of the LESSEE, its guests, employees or agents or its Sub-Lessees shall be replaced at the cost of the LESSEE or the Sub-Lessee. The Leased Premises and all additions and installations supplied by the LESSOR shall be kept in good clean working condition and repair (reasonable wear and tear excepted). The LESSEE shall provide itself, at its cost and expense, or cause its Sub-Lessee to provide itself at its cost and expense, with receptacles to hold and contain waste matter, garbage and refuse; shall keep or cause to keep, the same in securely sealed containers and shall dispose, or cause to dispose, of such garbage on a daily basis in the manner prescribed by the LESSOR. It shall keep drains, pipes, sanitary or plumbing apparatus, used exclusively by the LESSEE, its employees, guests, clients or customers or Sub-Lessees, their employees, guests, clients or customers, in good clean and tenantable condition (reasonable wear and tear excepted) and in accordance with the requirements imposed by regulations of governmental authorities and the LESSOR. The LESSEE shall pay the LESSOR for all costs in cleaning, repairing or replacing any of the same when found to be blocked or stopped owing to the careless and improper use or neglect thereof by the LESSEE, its employees, clients, customers or guests or its Sub-Lessees, their employees, clients, customers or guests. The LESSEE shall be responsible for any capital expenditure necessary and incidental to the maintenance and upkeep of the Leased Premises.

6.7.2 Assignment of Tenant Contract

The LESSEE shall not assign or transfer its rights under the Tenant Contract, nor sub-lease all or any part of the Leased Premises or enter into any arrangement whereby the use or possession of any part of the Leased Premises is transferred to any person, irrespective of whether rental or other consideration is given therefor. No right, title or interest to, in and under the Tenant Contract or the Leased Premises shall be deemed conferred or vested in any person other than the LESSEE, to the extent specified herein, without the LESSOR's prior written consent.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for AREIT, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^t}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\ /\ (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector as of the valuation date.

Cost of Equity		Delevered	Relevered
Risk free rate (10Y)	3.3340%		
Market rate of return	6.6025%		
Phil RE sector beta	1.2400	0.6593	2.2301
Cost of equity	7.3869%	5.4888%	10.6231%
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.07%	30.00%	1.06%
Equity	10.62%	70.00%	7.44%
	Weighted average cost of capital		**8.50%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$\mathbf{NPV = [\sum FVt / (1 + i)t] - I_0}$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 For the service apartments, we have assumed that it is 100% occupied at the time of valuation as per data provided by the CLIENT;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;

7.9.3 For the rental income and operating expenses, we have used the data provided by the CLIENT and projected based on their 5-year forecast average;

7.9.4 For the capital expenditures, we have assumed 3% of Revenues; and

7.9.5 The terminal value/reversion value is calculated using Gordon growth model.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Ayala North Exchange – Seda Residences** as of 17 June 2020 is:

PESOS:
TWO BILLION
TWO HUNDRED SIXTEEN MILLION
FOUR HUNDRED NINETY THOUSAND ONLY
(In Words)

PHP2,216,490,000.00
(In Figures)

9 Valuation date

This valuation is dated **17 June 2020.**

ANNEX A

AREIT, Inc.
AYALA NORTH EXCHANGE SEDA RESIDENCES
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2020	2021	2022	2023	2024	2025
Operating Expenses	% of Revenue	11.3%	9.4%	9.4%	9.4%	9.4%	9.4%
Additional Capital Expenditures	% of Revenue	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	78,102,000	156,204,000	156,204,000	156,204,000	156,204,000	156,204,000
Parking	PHP	3,210,000	6,420,000	6,420,000	6,420,000	6,420,000	6,420,000
Total Rent Revenues	**PHP**	**81,312,000**	**162,624,000**	**162,624,000**	**162,624,000**	**162,624,000**	**162,624,000**
Less: Operating expenses	PHP						
Depreciation Expense	PHP	(22,440,000)	(44,880,000)	(44,880,000)	(44,880,000)	(44,880,000)	(44,880,000)
Other Operating Expense	PHP	(9,224,622)	(15,277,147)	(15,277,147)	(15,277,147)	(15,277,147)	(15,277,147)
Capital Expenditures	PHP	(2,439,360)	(4,878,720)	(4,878,720)	(4,878,720)	(4,878,720)	(4,878,720)
Total OPEX	**PHP**	**(34,103,982)**	**(65,035,867)**	**(65,035,867)**	**(65,035,867)**	**(65,035,867)**	**(65,035,867)**
NET INCOME	**PHP**	**47,208,018**	**97,588,133**	**97,588,133**	**97,588,133**	**97,588,133**	**97,588,133**
Add: Depreciation	PHP	22,440,000	44,880,000	44,880,000	44,880,000	44,880,000	44,880,000
NET CASH FLOWS	**PHP**	**69,648,018**	**142,468,133**	**142,468,133**	**142,468,133**	**142,468,133**	**142,468,133**
Reversion Value - Building	**PHP**						
NET PRESENT VALUE							
Period lapsed	years	0.5000	1.5000	2.5000	3.5000	4.5000	5.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.9600	0.8848	0.8155	0.7516	0.6927	0.6385
Present value	**PHP**	**66,864,237**	**126,058,787**	**116,183,214**	**107,081,303**	**98,692,445**	**90,960,779**
Net present value (NPV)	**PHP**	**2,216,490,774**					
Rounded to:	**PHP**	**2,216,490,000**					

ANNEX A

AREIT, Inc.
AYALA NORTH EXCHANGE SEDA RESIDENCES
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2026	2027	2028	2029	Reversion Value
Operating Expenses	% of Revenue	9.4%	9.4%	9.4%	9.4%	
Additional Capital Expenditures	% of Revenue	3.0%	3.0%	3.0%	3.0%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	156,204,000	156,204,000	156,204,000	156,204,000	
Parking	PHP	6,420,000	6,420,000	6,420,000	6,420,000	
Total Rent Revenues	**PHP**	**162,624,000**	**162,624,000**	**162,624,000**	**162,624,000**	
Less: Operating expenses	PHP					
Depreciation Expense	PHP	(44,880,000)	(44,880,000)	(44,880,000)	(44,880,000)	
Other Operating Expense	PHP	(15,277,147)	(15,277,147)	(15,277,147)	(15,277,147)	
Capital Expenditures	PHP	(4,878,720)	(4,878,720)	(4,878,720)	(4,878,720)	
Total OPEX	**PHP**	**(65,035,867)**	**(65,035,867)**	**(65,035,867)**	**(65,035,867)**	
NET INCOME	**PHP**	**97,588,133**	**97,588,133**	**97,588,133**	**97,588,133**	
Add: Depreciation	PHP	44,880,000	44,880,000	44,880,000	44,880,000	
NET CASH FLOWS	**PHP**	**142,468,133**	**142,468,133**	**142,468,133**	**142,468,133**	
Reversion Value - Building	**PHP**					**2,849,362,653**
NET PRESENT VALUE						
Period lapsed	years	6.5000	7.5000	8.5000	9.5000	9.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.5884	0.5423	0.4999	0.4607	0.4607
Present value	**PHP**	**83,834,820**	**77,267,115**	**71,213,931**	**65,634,959**	**1,312,699,183**
Net present value (NPV)	**PHP**					
Rounded to:	**PHP**					

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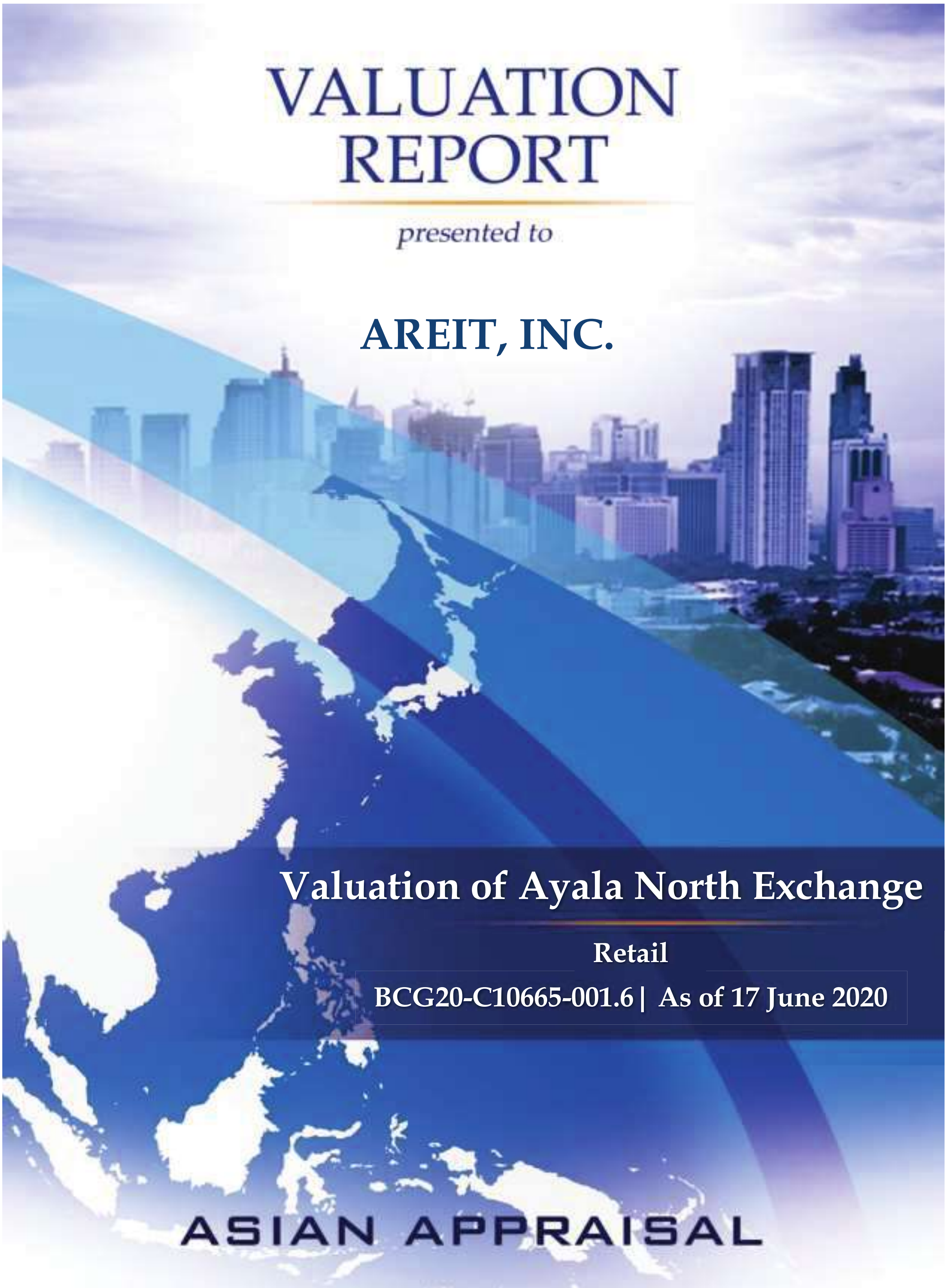

VALUATION REPORT
presented to
AREIT, INC.
Valuation of Ayala North Exchange
Retail
BCG20-C10665-001.6 | As of 17 June 2020
ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

17 June 2020

AREIT, INC.
28th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

Attention:	**MS. ELAINE MARIE F. ALZONA** Chief Finance Officer
	MR. MAPHILINDO S. TANDOC Risk Manager
Re:	**AACI File No. BCG20-C10665-001.6** Appraisal of Property

Gentlemen:

We are pleased to submit our *final* report on the valuation as of 17 June 2020, of ***Ayala North Exchange Retail spaces,*** located at ***6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City*** (the "PROPERTY") described as follows:

Purpose of the valuation:	For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.
Subject of the valuation:	The subject of the valuation is the Ayala North Exchange Retail spaces, located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City.
Basis of value:	The valuation was made on the basis of ***market value***. **Market value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)

Valuation date:	The valuation date is as of **17 June 2020.**
Opinion of value:	Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Ayala North Exchange Retail spaces** as of 17 June 2020 is:

PESOS:
ONE BILLION
THREE HUNDRED EIGHTEEN MILLION
EIGHT HUNDRED EIGHTY THOUSAND ONLY
(In Words)

PHP1,318,880,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a ***Market Value*** of **PHP1,318,880,000.00** as of 17 June 2020, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part except in accordance with the purpose stated herein, without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.

k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.

n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.

o) Erasures on appraisal date and values invalidate this valuation report.

p) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 AREIT, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Based on analysis of prevailing building usage in the neighborhood and the property itself, we are of the opinion that the existing mixed-use, office/commercial represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting. Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	**4,457,630**	**4,450,942**	**(6,688)**		**-0.2%**	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, waterand waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	**1,370,256**	**1,328,950**	**(41,306)**		**-3.0%**	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accomodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsary social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	**2,646,494**	**2,682,772**	**36,278**		**1.4%**	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% growth in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	**297,690**	**304,340**	**6,650**		**2.2%**	

Source: PSA and AACI estimates, May 2020

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY and macroeconomic and industry data, we have relied on documents available from the Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA); and

b. For the project, we have used information provided by the CLIENT, online resources, AACI estimates and AACI database.

6 Particulars of the Property

6.1 Property Description

Ayala North Exchange in Makati Central Business District consists of two office towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 12-storey HQ Office. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. Seda Residences Makati contains 293 serviced apartments, which, together with other amenities and the back-of-house area, cover 18 floors of the building. There are six levels of basement parking. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively.

The Gross Leasable Area of the Retail is 7,542 sq.m. The building construction started in 2015 and completed in 2019. They started the operation the same year after the completion.

Figure 1: Ayala North Exchange Building Façade

6.2 Location

The building is located along Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City.

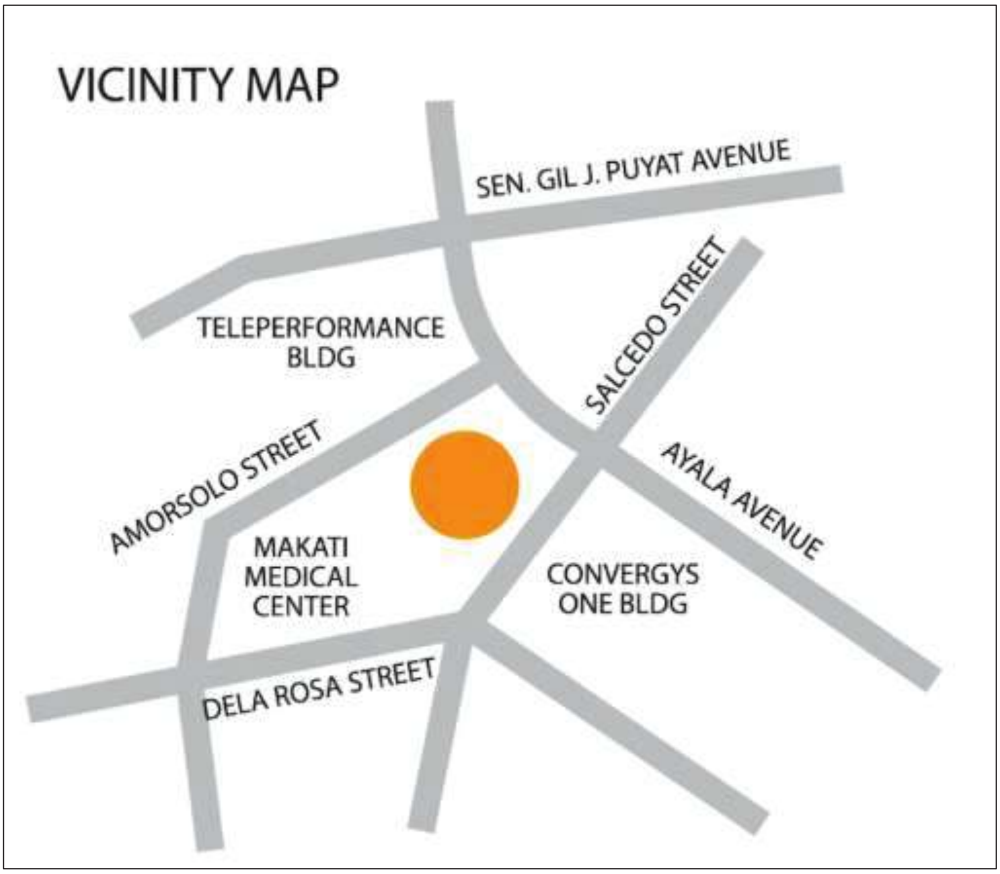


Figure 2: Vicinity Map

6.3 Property Ownership

The CLIENT owns the building while the land is under leasehold agreement with HLC Development Corporation for 44-years starting April 01, 2014 to March 31, 2058.

6.4 Existing Use of the PROPERTY

The building has a retail space of 7,542 square meters.

6.5 Warranties

6.5.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

a. it is the absolute and legal owner of Ayala North Exchange Retail building, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
b. the Leased Land has been zoned for commercial use and the use of the land and building for commercial purposes is expressly allowed under the applicable zoning regulations; and
c. unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.5.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

a. each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
c. the execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and
d. there is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.6 Summary of Terms of any Sub-Lease or Tenancies

6.6.1 Maintenance of the Leased Premises

The LESSEE shall well and sufficiently preserve, repair and maintain in good, clean, tenantable condition (reasonable wear and tear excepted), at its own cost, the interiors of the Leased Premises, including the flooring, interior plaster or other finishes, doors, windows, cables, conduits, wirings, sockets, electrical installations and plumbing fixtures found in or about the Leased Premises. All windows, glass or plate glass of or in the Leased Premises broken or damaged by the LESSEE or its Sub-Lessees due to the fault or negligence of the LESSEE, its guests, employees or agents or its Sub-Lessees shall be replaced at the cost of the LESSEE or the Sub-Lessee. The Leased Premises and all additions and installations supplied by the LESSOR shall be kept in good clean working condition and repair (reasonable wear and tear excepted). The LESSEE shall provide itself, at its cost and expense, or cause its Sub-Lessee to provide itself at its cost and expense, with receptacles to hold and contain waste matter, garbage and refuse; shall keep or cause to keep, the same in securely sealed containers and shall dispose, or cause to dispose, of such garbage on a daily basis in the manner prescribed by the LESSOR. It shall keep drains, pipes, sanitary or plumbing apparatus, used exclusively by the LESSEE, its employees, guests, clients or customers or Sub-Lessees, their employees, guests, clients or customers, in good clean and tenantable condition (reasonable wear and tear excepted) and in accordance with the requirements imposed by regulations of governmental authorities and the LESSOR. The LESSEE shall pay the LESSOR for all costs in cleaning, repairing or replacing any of the same when found to be blocked or stopped owing to the careless and improper use or neglect thereof by the LESSEE, its employees, clients, customers or guests or its Sub-Lessees, their employees, clients, customers or guests. The LESSEE shall be responsible for any capital expenditure necessary and incidental to the maintenance and upkeep of the Leased Premises.

6.6.2 Assignment of Tenant Contract

The LESSEE shall not assign or transfer its rights under the Tenant Contract, nor sub-lease all or any part of the Leased Premises or enter into any arrangement whereby the use or possession of any part of the Leased Premises is transferred to any person, irrespective of whether rental or other consideration is given therefor. No right, title or interest to, in and under the Tenant Contract or the Leased Premises shall be deemed conferred or vested in any person other than the LESSEE, to the extent specified herein, without the LESSOR's prior written consent.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. Our comparison was premised on the factors of location, size and shape of the lot, time element and others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for AREIT, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^t}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\ /\ (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector as of the valuation date.

Cost of Equity		Delevered	Relevered
Risk free rate (10Y)	3.3340%		
Market rate of return	6.6025%		
Phil RE sector beta	1.2400	0.6593	2.2301
Cost of equity	7.3869%	5.4888%	10.6231%
Computation of Weighted Average Cost of Capital			
	Cost	**%**	**Weight**
Debt	5.07%	30.00%	1.06%
Equity	10.62%	70.00%	7.44%
		Weighted average cost of capital	**8.50%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$\mathbf{NPV = [\sum FVt / (1 + i)t] - I_0}$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the market value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used lease data provided by the COMPANY;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the rental income, we have used the data provided by the CLIENT with an annual escalation rate of 2% starting Year 2022.

7.9.4 For the operating expenses, we have used the data provided by the CLIENT and projected based on their 5-year forecast average;

7.9.5 For the capital expenditures, we have assumed 3% of Revenues;

7.9.6 The terminal value/reversion value is calculated using Gordon growth model; and

7.9.7 Due to the COVID-19 pandemic, the Duterte administration imposed an Enhanced Community Quarantine from March to May 2020 which affected the operations of AREIT, Inc. and its retail tenants. AREIT granted rental waivers to its retail tenants during this period.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Ayala North Exchange Retail spaces** as of 17 June 2020 is:

PESOS:
ONE BILLION
THREE HUNDRED EIGHTEEN MILLION
EIGHT HUNDRED EIGHTY THOUSAND ONLY
(In Words)

PHP1,318,880,000.00
(In Figures)

9 Valuation Date

This valuation is dated **17 June 2020.**

ANNEX A

AREIT, Inc.
AYALA NORTH EXCHANGE RETAIL
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2020	2021	2022	2023	2024	2025
Operating Expenses:							
General and Admin Expense	% of Revenue	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Other Operating Expense	% of Revenue	31.7%	31.7%	31.7%	31.7%	31.7%	31.7%
Dues	% of Revenue	-6.6%	-6.6%	-6.6%	-6.6%	-6.6%	-6.6%
Additional Capital Expenditures	% of Revenue	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
FREE CASH FLOWS							
Rent Revenues	**PHP**	**58,898,419**	**104,438,900**	**106,527,678**	**108,658,232**	**110,831,397**	**113,048,025**
Less: Operating expenses	PHP						
General and Admin Expense	PHP	(182,720)	(324,000)	(330,480)	(337,090)	(343,831)	(350,708)
Depreciation Expense	PHP	(6,765,000)	(13,530,000)	(13,530,000)	(13,530,000)	(13,530,000)	(13,530,000)
Other Operating Expense	PHP	(18,676,426)	(33,117,109)	(33,779,451)	(34,455,040)	(35,144,141)	(35,847,024)
Dues	PHP	3,900,024	6,915,537	7,053,848	7,194,925	7,338,823	7,485,600
Capital Expenditures	PHP	(1,766,953)	(3,133,167)	(3,195,830)	(3,259,747)	(3,324,942)	(3,391,441)
Total OPEX	**PHP**	**(23,491,074)**	**(43,188,739)**	**(43,781,914)**	**(44,386,952)**	**(45,004,091)**	**(45,633,573)**
NET INCOME	**PHP**	**35,407,344**	**61,250,161**	**62,745,765**	**64,271,280**	**65,827,306**	**67,414,452**
Add: Depreciation	PHP	6,765,000	13,530,000	13,530,000	13,530,000	13,530,000	13,530,000
NET CASH FLOWS	**PHP**	**42,172,344**	**74,780,161**	**76,275,765**	**77,801,280**	**79,357,306**	**80,944,452**
Reversion Value - Building	**PHP**						
NET PRESENT VALUE							
Period lapsed	years	0.5000	1.5000	2.5000	3.5000	4.5000	5.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.9600	0.8848	0.8155	0.7516	0.6927	0.6385
Present value	**PHP**	**40,486,770**	**66,167,172**	**62,203,315**	**58,476,919**	**54,973,759**	**51,680,463**
Net present value (NPV)	**PHP**	**1,318,880,801**					
Rounded to:	**PHP**	**1,318,880,000**					

ANNEX A

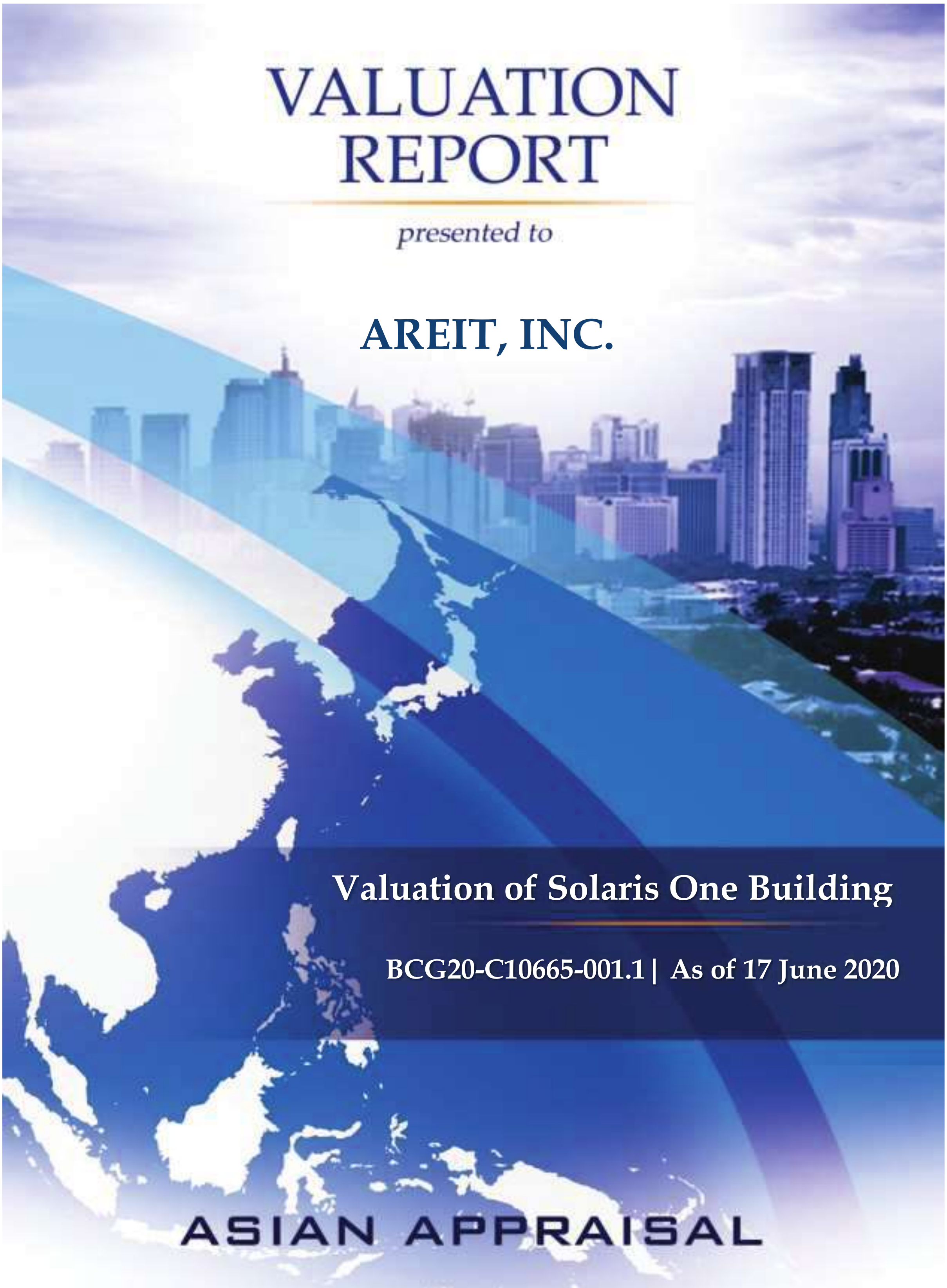
AREIT, Inc.
AYALA NORTH EXCHANGE RETAIL
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2026	2027	2028	2029	TERMINAL VALUE
Operating Expenses:						
General and Admin Expense	% of Revenue	0.3%	0.3%	0.3%	0.3%	
Other Operating Expense	% of Revenue	31.7%	31.7%	31.7%	31.7%	
Dues	% of Revenue	-6.6%	-6.6%	-6.6%	-6.6%	
Additional Capital Expenditures	% of Revenue	3.0%	3.0%	3.0%	3.0%	
FREE CASH FLOWS						
Rent Revenues	**PHP**	**115,308,985**	**117,615,165**	**119,967,468**	**122,366,817**	
Less: Operating expenses	PHP					
General and Admin Expense	PHP	(357,722)	(364,877)	(372,174)	(379,618)	
Depreciation Expense	PHP	(13,530,000)	(13,530,000)	(13,530,000)	(13,530,000)	
Other Operating Expense	PHP	(36,563,964)	(37,295,244)	(38,041,148)	(38,801,971)	
Dues	PHP	7,635,312	7,788,018	7,943,778	8,102,654	
Capital Expenditures	PHP	(3,459,270)	(3,528,455)	(3,599,024)	(3,671,005)	
Total OPEX	**PHP**	**(46,275,644)**	**(46,930,557)**	**(47,598,568)**	**(48,279,940)**	
NET INCOME	**PHP**	**69,033,341**	**70,684,608**	**72,368,900**	**74,086,878**	
Add: Depreciation	PHP	13,530,000	13,530,000	13,530,000	13,530,000	
NET CASH FLOWS	**PHP**	**82,563,341**	**84,214,608**	**85,898,900**	**87,616,878**	
Reversion Value - Building	**PHP**					**1,752,383,186**
NET PRESENT VALUE						
Period lapsed	years	6.5000	7.5000	8.5000	9.5000	9.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.5885	0.5424	0.4999	0.4607	0.4607
Present value	**PHP**	**48,584,456**	**45,673,922**	**42,937,747**	**40,365,488**	**807,330,789**
Net present value (NPV)	**PHP**					
Rounded to:	**PHP**					

VALUATION REPORT

presented to

AREIT, INC.



Valuation of Solaris One Building

BCG20-C10665-001.1 | As of 17 June 2020

PRIVATE AND CONFIDENTIAL

17 June 2020

AREIT, INC.
28th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

Attention: **MS. ELAINE MARIE F. ALZONA**
Chief Finance Officer

MR. MAPHILINDO S. TANDOC
Risk Manager

Re: **AACI File No. BCG20-C10665-001.1**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 17 June 2020, of ***Solaris One Building,*** located at ***130 Dela Rosa Street, Legaspi Village***, Barangay San Lorenzo, ***Makati City, Metropolitan Manila*** (the "PROPERTY") described as follows***:***

Purpose of the valuation:	For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.
Subject of the valuation:	The subject of the valuation is Solaris One Building, located at 130 Dela Rosa Street, Legaspi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila.
Basis of value:	The valuation was made on the basis of ***market value***. **Market value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017).

Valuation date:	The valuation date is as of **17 June 2020.**
Opinion of value:	Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Solaris One Building** as of 17 June 2020 is:

PESOS:
TWELVE BILLION
FIFTY-THREE MILLION
NINE HUNDRED TWENTY THOUSAND ONLY
(In Words)

PHP12,053,920,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a ***Market Value*** of **PHP12,053,920,000.00** as of 17 June 2020, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part except in accordance with the purpose stated herein, without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.

k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.

n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.

o) Erasures on appraisal date and values invalidate this valuation report.

p) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 AREIT, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Based on analysis of prevailing building usage in the neighbourhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting. Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	**4,457,630**	**4,450,942**	**(6,688)**		**-0.2%**	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, waterand waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	**1,370,256**	**1,328,950**	**(41,306)**		**-3.0%**	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accomodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsary social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	**2,646,494**	**2,682,772**	**36,278**		**1.4%**	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% growth in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	**297,690**	**304,340**	**6,650**		**2.2%**	

Source: PSA and AACI estimates, May 2020

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;

b. For the term of lease, we have used documents provided by the COMPANY; and

c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

Solaris One Building is a state-of- the-art 24-storey PEZA-accredited building developed to meet Grade "A" specifications. It was built on over 3,000 square meters of prime property along Dela Rosa Street in the Makati Central Business District. The building has a Gross Floor area of around 73,322 square meters and offers a total Gross Leasable Area of 46,768 square meters, features large efficient floor plates approximately 2,800 sq. m in size, and provides a conducive working environment for employees with its high-end facilities.

The building is equipped with 100% back-up generators; a centralized chilled water system; over 600 secured above-ground parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Solaris One also has a mini park and is in the vicinity of retail shops and dining establishments at People Support Center and Convergys One. The building construction started in 2007 and was completed in 2008. They started the operation the same year after the completion.

Figure 1: Building Façade

6.2 Location

The building is located along Dela Rosa Street, Legaspi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila.

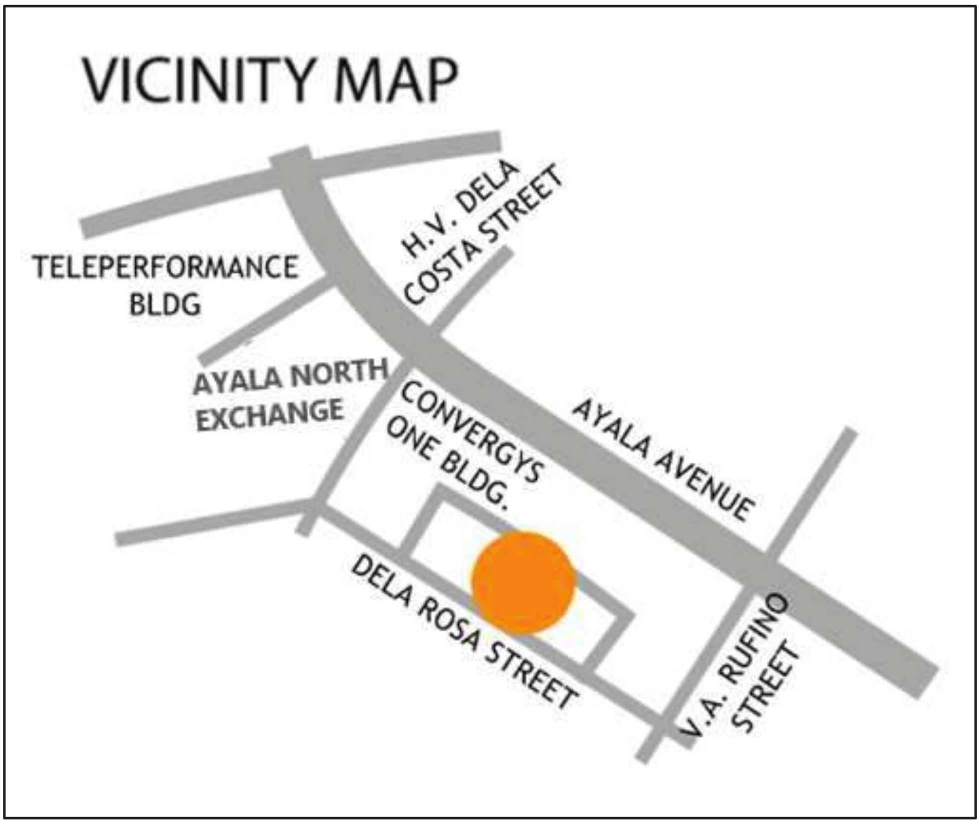


Figure 2: Vicinity Map

6.3 Property Ownership

The CLIENT owns the building while the land is under leasehold agreement with Ayala Land, Inc. for 33-years starting January 01, 2016 to December 31, 2048.

6.4 Existing Use of the PROPERTY

The building has an office space of 46,026.91 square meters, 741.04 square meters for retail space and 671 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation. See below lease profile:

	Lease	
	Start	**End**
Office Space	15-Jan-16	14-Jan-26
Stock Room	15-Jan-16	14-Jan-26
Office Space	1-May-15	30-Apr-20
Office Space	1-May-15	30-Apr-20
Office Space	1-Apr-19	31-Mar-26
Office Space	1-Jun-16	31-May-21
Office Space	15-Dec-16	31-Jul-19
Office Space	15-May-18	14-May-21
Office Space	1-Mar-19	28-Feb-21
Office Space	28-Apr-14	27-Apr-19
Office Space	1-Feb-18	31-Jan-21
Office Space	1-Feb-20	14-Jan-26
Office Space	1-Feb-20	14-Jan-26

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

a. it is the absolute and legal owner of Solaris One Building, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
b. the Leased Land has been zoned for commercial use and the use of the land and Solaris One Building for commercial purposes is expressly allowed under the applicable zoning regulations; and
c. unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

a. each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
c. the execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and
d. there is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSEE shall well and sufficiently preserve, repair and maintain in good, clean, tenantable condition (reasonable wear and tear excepted), at its own cost, the interiors of the Leased Premises, including the flooring, interior plaster or other finishes, doors, windows, cables, conduits, wirings, sockets, electrical installations and plumbing fixtures found in or about the Leased Premises. All windows, glass or plate glass of or in the Leased Premises broken or damaged by the LESSEE or its Sub-Lessees due to the fault or negligence of the LESSEE, its guests, employees or agents or its Sub-Lessees shall be replaced at the cost of the LESSEE or the Sub-Lessee. The Leased Premises and all additions and installations supplied by the LESSOR shall be kept in good clean working condition and repair (reasonable wear and tear excepted). The LESSEE shall provide itself, at its cost and expense, or cause its Sub-Lessee to provide itself at its cost and expense, with receptacles to hold and contain waste matter, garbage and refuse; shall keep or cause to keep, the same in securely sealed containers and shall dispose, or cause to dispose, of such garbage on a daily basis in the manner prescribed by the LESSOR. It shall keep drains, pipes, sanitary or plumbing apparatus, used exclusively by the LESSEE, its employees, guests, clients or customers or Sub-Lessees, their employees, guests, clients or customers, in good clean and tenantable condition (reasonable wear and tear excepted) and in accordance with the requirements imposed by regulations of governmental authorities and the LESSOR. The LESSEE shall pay the LESSOR for all costs in cleaning, repairing or replacing any of the same when found to be blocked or stopped owing to the careless and improper use or neglect thereof by the LESSEE, its employees, clients, customers or guests or its Sub-Lessees, their employees, clients, customers or guests. The LESSEE shall be responsible for any capital expenditure necessary and incidental to the maintenance and upkeep of the Leased Premises.

6.7.2 Assignment of Tenant Contract

The LESSEE shall not assign or transfer its rights under the Tenant Contract, nor sub-lease all or any part of the Leased Premises or enter into any arrangement whereby the use or possession of any part of the Leased Premises is transferred to any person, irrespective of whether rental or other consideration is given therefor. No right, title or interest to, in and under the Tenant Contract or the Leased Premises shall be deemed conferred or vested in any person other than the LESSEE, to the extent specified herein, without the LESSOR's prior written consent.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for AREIT, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^t}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV / (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector as of the valuation date.

Cost of Equity		Delevered	Relevered
Risk free rate (10Y)	3.3340%		
Market rate of return	6.6025%		
Phil RE sector beta	1.2400	0.6593	2.2301
Cost of equity	7.3869%	5.4888%	10.6231%
Computation of Weighted Average Cost of Capital			
	Cost	%	Weight
Debt	5.07%	30.00%	1.06%
Equity	10.62%	70.00%	7.44%
	Weighted average cost of capital		**8.50%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FVt / (1 + i)t] - I_0$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 For the tenure of the leases, we have used lease data provided by the COMPANY;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT and projected based on the 5-year historical average; and

7.9.4 For the capital expenditures, we have assumed 3% of Revenues.

7.9.5 The terminal value/reversion value is calculated using Gordon growth model.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **Solaris One Building** as of 17 June 2020 is:

PESOS:
TWELVE BILLION
FIFTY-THREE MILLION
NINE HUNDRED TWENTY ONLY
(In Words)

PHP12,053,920,000.00
(In Figures)

9 Valuation Date

This valuation is dated **17 June 2020.**

ANNEX A

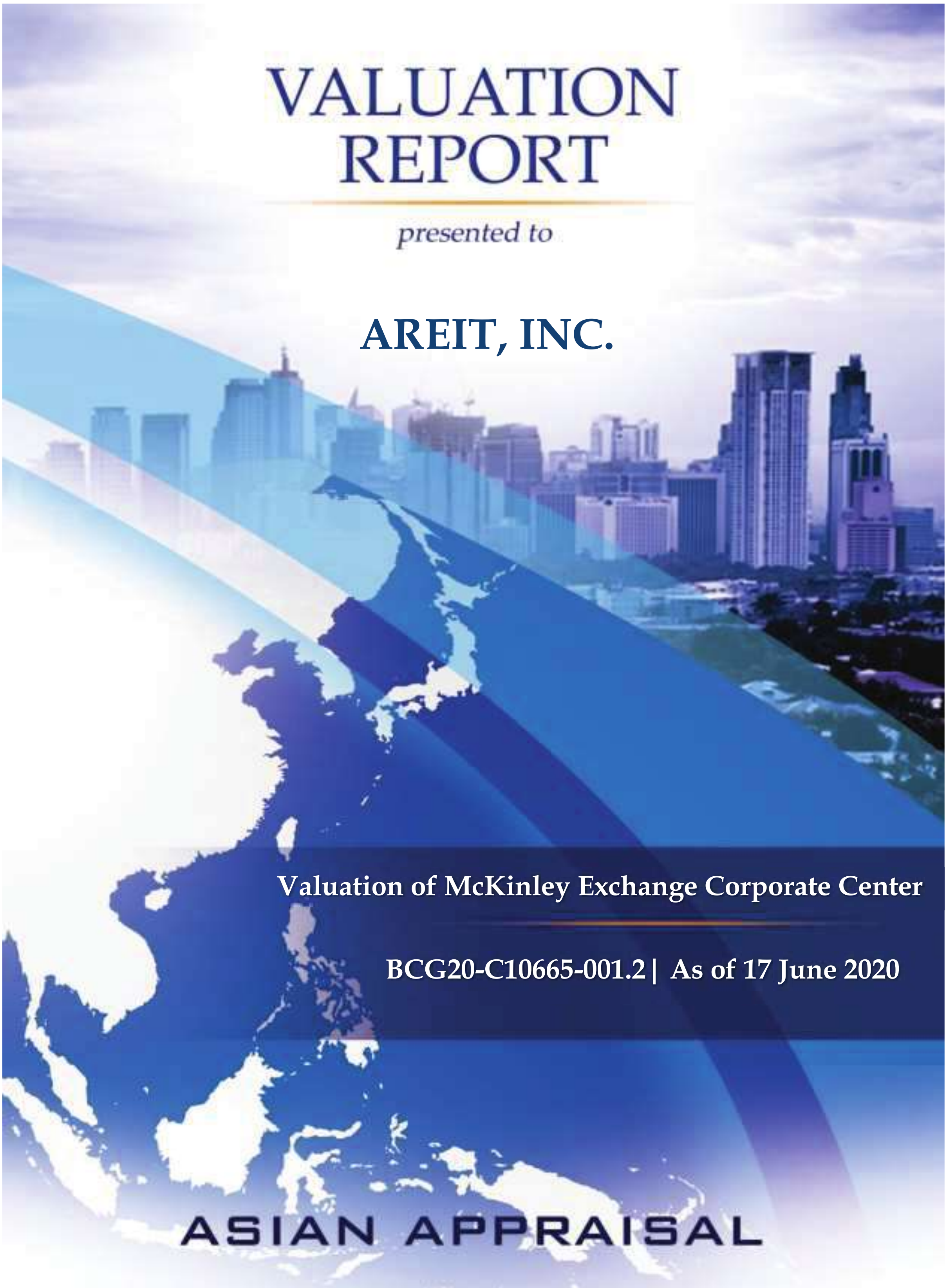
AREIT, INC.
SOLARIS ONE BUILDING
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2020	2021	2022	2023	2024	2025
General and Admin Expense	% of Revenue	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Other Operating Expense	% of Revenue	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%
Dues	% of Revenue	-30.4%	-30.4%	-30.4%	-30.4%	-30.4%	-30.4%
Additional Capital Expenditures	% of Revenue	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
FREE CASH FLOWS							
Rental Income:							
Office	PHP	247,909,725	529,802,675	555,592,837	580,342,241	602,067,711	569,890,276
Retail	PHP	4,642,544	9,285,088	9,285,088	9,285,088	9,285,088	9,285,088
Parking	PHP	10,704,137	20,076,415	20,368,285	21,386,699	22,413,268	23,511,479
Total Rent Revenues	**PHP**	**263,256,405**	**559,164,178**	**585,246,210**	**611,014,028**	**633,766,067**	**602,686,843**
Less: Operating expenses	PHP						
General and Admin Expense	PHP	(7,336,945)	(15,583,882)	(16,310,787)	(17,028,935)	(17,663,034)	(16,796,857)
Depreciation Expense	PHP	(23,000,000)	(46,000,000)	(46,000,000)	(46,000,000)	(46,000,000)	(46,000,000)
Other Operating Expense	PHP	(53,107,710)	(112,802,303)	(118,063,930)	(123,262,170)	(127,852,024)	(121,582,295)
Dues	PHP	79,982,322	169,884,752	177,808,971	185,637,726	192,550,230	183,107,768
Capital Expenditures	PHP	(7,897,692)	(16,774,925)	(17,557,386)	(18,330,421)	(19,012,982)	(18,080,605)
Total OPEX	**PHP**	**(11,360,025)**	**(21,276,359)**	**(20,123,133)**	**(18,983,799)**	**(17,977,810)**	**(19,351,989)**
NET INCOME	**PHP**	**251,896,380**	**537,887,819**	**565,123,077**	**592,030,229**	**615,788,257**	**583,334,854**
Add: Depreciation	PHP	23,000,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000
NET CASH FLOWS	**PHP**	**274,896,380**	**583,887,819**	**611,123,077**	**638,030,229**	**661,788,257**	**629,334,854**
Terminal Value	**PHP**						
NET PRESENT VALUE							
Period lapsed	years	0.5000	1.5000	2.5000	3.5000	4.5000	5.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.9600	0.8848	0.8155	0.7516	0.6927	0.6385
Present value	**PHP**	**263,909,128**	**516,637,100**	**498,374,303**	**479,555,632**	**458,445,358**	**401,810,324**
Net present value (NPV)	**PHP**	**12,053,919,756**					
Rounded to:	**PHP**	**12,053,920,000**					

ANNEX A

AREIT, INC.
SOLARIS ONE BUILDING
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2026	2027	2028	2029	Terminal Value
General and Admin Expense	% of Revenue	2.8%	2.8%	2.8%	2.8%	4.00%
Other Operating Expense	% of Revenue	20.2%	20.2%	20.2%	20.2%	
Dues	% of Revenue	-30.4%	-30.4%	-30.4%	-30.4%	
Additional Capital Expenditures	% of Revenue	3.0%	3.0%	3.0%	3.0%	
FREE CASH FLOWS						
Rental Income:						
Office	PHP	630,181,201	654,141,833	679,253,190	705,572,281	
Retail	PHP	9,285,088	9,285,088	9,285,088	9,285,088	
Parking	PHP	23,956,292	24,409,521	24,871,325	25,341,866	
Total Rent Revenues	**PHP**	**663,422,581**	**687,836,442**	**713,409,603**	**740,199,234**	
Less: Operating expenses	PHP					
General and Admin Expense	PHP	(18,489,559)	(19,169,973)	(19,882,696)	(20,629,322)	
Depreciation Expense	PHP	(46,000,000)	(46,000,000)	(46,000,000)	(46,000,000)	
Other Operating Expense	PHP	(133,834,745)	(138,759,845)	(143,918,816)	(149,323,189)	
Dues	PHP	201,560,445	208,977,842	216,747,457	224,886,658	
Capital Expenditures	PHP	(19,902,677)	(20,635,093)	(21,402,288)	(22,205,977)	
Total OPEX	**PHP**	**(16,666,537)**	**(15,587,069)**	**(14,456,343)**	**(13,271,830)**	
NET INCOME	**PHP**	**646,756,044**	**672,249,373**	**698,953,260**	**726,927,404**	
Add: Depreciation	PHP	46,000,000	46,000,000	46,000,000	46,000,000	
NET CASH FLOWS	**PHP**	**692,756,044**	**718,249,373**	**744,953,260**	**772,927,404**	
Terminal Value	**PHP**					**17,168,327,010**
NET PRESENT VALUE						
Period lapsed	years	6.5000	7.5000	8.5000	9.5000	9.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	%	0.5885	0.5424	0.4999	0.4607	0.4607
Present value	**PHP**	**407,652,784**	**389,543,649**	**372,375,141**	**356,091,120**	**7,909,525,217**
Net present value (NPV)	**PHP**					
Rounded to:	**PHP**					



VALUATION REPORT

presented to

AREIT, INC.

Valuation of McKinley Exchange Corporate Center

BCG20-C10665-001.2 | As of 17 June 2020

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

17 June 2020

AREIT, INC.
28th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

Attention:	**MS. ELAINE MARIE F. ALZONA** Chief Finance Officer
	MR. MAPHILINDO S. TANDOC Risk Manager
Re:	**AACI File No. BCG20-C10665-001.2** Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 17 June 2020, of McKinley Exchange Corporate Center, located at Epifanio de los Santos Avenue (EDSA) corner McKinley Road, Barangay Dasmariñas, Makati City, Metropolitan Manila (the "PROPERTY") described as follows*:*

Purpose of the valuation:	For the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.
Subject of the valuation:	The subject of valuation is a 5-storey commercial office building identified as Mckinley Exchange Corporate Center, located at Epifanio de los Santos Avenue (EDSA) corner McKinley Road, Barangay Dasmariñas, Makati City, Metropolitan Manila.
Basis of value:	The valuation was made on the basis of ***market value***. **Market value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

	Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)
Valuation date:	The valuation date is as of **17 June 2020.**
Opinion of value:	Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **McKinley Exchange Corporate Center** as of 17 June 2020 is:

PESOS:
TWO BILLION
SEVENTY-ONE MILLION
FIVE HUNDRED SEVENTY-THOUSAND ONLY
(In Words)

PHP2,071,570,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property with a ***Market Value*** of **PHP2,071,570,000.00** as of 17 June 2020, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 7354439

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part except in accordance with the purpose stated herein, without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.

k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.

n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.

o) Erasures on appraisal date and values invalidate this valuation report.

p) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 AREIT, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for the registration statement and the listing application to be submitted to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) in connection with the initial public offering of the CLIENT and will form part of the REIT Plan of the CLIENT that will be made publicly available.

3 Basis of Value

The basis of value shall be **market value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Based on analysis of prevailing building usage in the neighborhood and the property itself, we are of the opinion that the existing mixed-use, office and commercial development represents the highest and best use of the property.

4 Macroeconomic Overview: Philippine Economy

4.1 Q1 2020 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) declined by 0.2% in the first quarter of 2020, the first contraction since the fourth quarter of 1998. The main contributors to the decline were: Manufacturing; Transportation and Storage; and Accommodation and Food Service Activities.

Among the major economic sectors, Agriculture, forestry, and fishing; and Industry contracted by 0.4% and 3.0%, respectively. On the other hand, Services posted a growth of 1.4% during the period.

On the expenditure side, the expenditure items that declined are: Gross Capital Formation (GCF), 18.3%; Exports, 3.0%; and Imports, 9.0%. Meanwhile, Household Final Consumption Expenditure (HFCE) and Government Final Consumption Expenditure (GFCE) posted positive growths of 0.2% and 7.1%, respectively.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GDP
Agriculture, Hunting. Forestry, and Fishing	440,880	439,220	(1,660)	24.82%	-0.4%	0.0%
Industry	1,370,256	1,328,950	(41,306)	617.61%	-3.0%	-0.9%
Services	2,646,494	2,682,772	36,278	-542.43%	1.4%	0.8%
GROSS DOMESTIC PRODUCT	**4,457,630**	**4,450,942**	**(6,688)**		**-0.2%**	

Source: PSA and AACI estimates, May 2020

Industry declined by 3.0% in the first quarter 2020, the first registered contraction since the third quarter 2011 and the sharpest since the 5.4% drop in the third quarter of 2009.

Manufacturing, which comprised 66% to total Industry, declined by 3.6%. Contributing the most to the decline were the Manufacturing of the following: Coke and refined petroleum products, 35.5%; Computer, electronic and optical products, 7.5%; Basic metals, 18.8%; Machinery and equipment, 19.7%; and Beverages, 8.2%. On the other hand, Manufacturing of the following grew and pulled the growth up the most: Chemical and chemical products, 3.8%; Food products, 0.6%; Basic pharmaceutical products and pharmaceutical preparations, 25.6%; Printing and reproduction of recorded media, 13.6%; and fabricated metal products, 11.7%.

Meanwhile, Mining and Quarrying dropped by 22.3% as all of its sub-industries posted contraction during the period. Construction, which shared 21.1% to total Industry likewise declined with 1.8% drop during the period.

On the other hand, Electricity, Steam, Water and Waste management managed to grow in the first quarter 2020 with 5.3% growth from the previous year. Industry shared 29.9% to GDP in the first quarter of 2020.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Mining and Quarrying	45,392	35,249	(10,143)	24.6%	-22.3%	-0.7%
b. Manufacturing	910,586	877,544	(33,042)	80.0%	-3.6%	-2.4%
c. Electricity, steam, waterand waste management	129,544	136,407	6,863	-16.6%	5.3%	0.5%
d. Construction	284,734	279,750	(4,984)	12.1%	-1.8%	-0.4%
INDUSTRY SECTOR	**1,370,256**	**1,328,950**	**(41,306)**		**-3.0%**	

Source: PSA and AACI estimates, May 2020

Services grew by 1.4% in the first quarter 2020, the slowest growth registered since the fourth quarter of 1998. The following industries dragged down the growth of Services: Transportation and Storage, which declined by 10.7%; Accommodation and Food Service Activities, with 15.3% contraction; and Other Services, which was down by 7.6%.

On a positive side, Financial and Insurance Activities contributed the most to Services as it grew by 9.6%. This was followed by Public Administration and Defense; Compulsory Social Activities, with 5.2%; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, with 1.1% growth; Information and Communication, 5.7%; and Human Health and Social Work Activities, 9.2%. Other industries that contributed to growth were Real Estate and Ownership of Dwellings; Education; and Professional and Business Services; Services continued to have the highest share to GDP with 60.3%.

Please see Table 3

Table 3. Gross Value Added in Services
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
a. Wholesale and retail trade; repair of motor vehicles and motorcycles	713,571	721,617	8,046	22.18%	1.1%	0.3%
b. Transportation and storage	189,669	169,418	(20,251)	-55.82%	-10.7%	-0.8%
c. Accomodation and food service activities	106,499	90,164	(16,335)	-45.03%	-15.3%	-0.6%
d. Information and communication	131,511	139,001	7,490	20.65%	5.7%	0.3%
e. Financial and insurance activities	409,050	448,480	39,430	108.69%	9.6%	1.5%
f. Real Estate and ownership dwellings	297,690	304,341	6,651	18.33%	2.2%	0.3%
g. Professional and business services	242,378	244,045	1,667	4.60%	0.7%	0.1%
h. Public administration and defense; compulsary social services	181,348	190,729	9,381	25.86%	5.2%	0.4%
i. Education	182,895	184,632	1,737	4.79%	0.9%	0.1%
j. Human health and social work activities	77,720	84,833	7,113	19.61%	9.2%	0.3%
f. Other Services	114,163	105,512	(8,651)	-23.85%	-7.6%	-0.3%
SERVICES SECTOR	**2,646,494**	**2,682,772**	**36,278**		**1.4%**	

Source: PSA and AACI estimates, May 2020

RERBA expanded by 2.2% growth in the first quarter of 2020, slower than the 4.1% growth posted in the same period in 2019. The growth was driven by Ownership of Dwellings which grew by 3.1% as compared with the 3.5% growth recorded in the same period of the previous year.

Please see Table 4.

Table 4. Gross Value Added in RERBA
Q1 2019 and Q1 2020
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q1 2019	Q1 2020	+/-	%	GROWTH RATE	% to GVA
1. Real Estate	159,101	161,405	2,304	34.65%	1.4%	0.8%
3. Ownership of Dwellings	138,589	142,935	4,346	65.35%	3.1%	1.5%
RERBA	**297,690**	**304,340**	**6,650**		**2.2%**	

Source: PSA and AACI estimates, May 2020

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;

b. For the term of lease, we have used documents provided by the COMPANY; and

c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Property Description

The McKinley Exchange Corporate Center is a 5-storey commercial office building developed by Ayala Land, Inc. located at the corner of EDSA and McKinley Road in Makati City. The office development is built to fit the unique 24/7 requirements of IT and Business Process Outsourcing firms. It has a Gross Floor Area of around 14,598 square meters and offers a total Gross Leasable Area of 10,687.50 square meters. The building construction started in year 2013 and was completed in 2015. They started the operation the same year after the completion.

McKinley Exchange Corporate Center offers 100% back up power, two major telecommunication lines, and access to retail area on the ground floor. Companies can take advantage of this site's proximity to the Central Business District of Makati with direct access to major public transportation systems such as the MRT station, bus and jeepney stops, taxi stands and shuttle terminals. Its choice location gives business excellent visibility to over 300,000 vehicles traversing Epifanio de los Santos Avenue (EDSA) daily.

Figure 1: Building Façade

6.2 Location

The commercial office building is located at the corner of EDSA and McKinley Road in Makati City, Metropolitan Manila.

Figure 2: Vicinity Map

6.3 Property Ownership

The land and building are under leasehold agreement with Ayala Land, Inc. for 34-years starting February 01, 2020 to January 31, 2054.

6.4 Existing Use of the PROPERTY

The building has an office space of 9,633.32 square meters, 1,054.18 square meters for retail space and 120 parking slots.

6.5 Occupancy Rate and Lease Profile

The PROPERTY is 100% occupied as of the time of valuation. See below lease profile:

Tenants Name		Lease	
		Start	End
Telus International (Philippines), Inc.	OFFICE SPACE	1-Dec-14	30-Nov-22

6.6 Warranties

6.6.1 Lessor's Warranties

As stated on the Contract of Lease, The LESSOR represents, warrants and covenants in favor of the LESSEE that:

a. it is the absolute and legal owner of McKinley Exchange Corporate Center, and has full right, title and interest to grant the lease of the Leased Premises to the LESSEE;
b. the land has been zoned for commercial use and the use of the land and building for commercial purposes is expressly allowed under the applicable zoning regulations; and
c. unless otherwise prevented by Force Majeure, it shall maintain the LESSEE in peaceful possession of the Leased Premises for the entire term of the Contract.

6.6.2 Mutual Warranties

As stated on the Contract of Lease, The LESSOR and the LESSEE represent and warrant in favor of each other that:

a. each has full power, authority and legal right to execute, deliver and perform the Contract and has taken all the necessary corporate action to authorize the foregoing;
b. The Contract constitutes the legal, valid and binding obligation of the LESSOR and the LESSEE, enforceable in accordance with its terms;
c. the execution, delivery and performance of the Contract do not and will not violate any provision of, or result in a breach of or constitute a default under any law, regulation or judgment, or violate any agreement binding upon either of them or any of their property; and
d. there is no action, suit or proceeding, at law or in equity, or official investigation before or by any government authority, arbitral tribunal or other body pending or, to the best of its knowledge, threatened against or affecting it, which could reasonably be expected to have a material or adverse effect on its ability to perform its obligations under this Contract or the validity or enforceability of the Contract.

6.7 Summary of Terms of any Sub-Lease or Tenancies

6.7.1 Maintenance of the Leased Premises

The LESSEE shall well and sufficiently preserve, repair and maintain in good, clean, tenantable condition (reasonable wear and tear excepted), at its own cost, the interiors of the Leased Premises, including the flooring, interior plaster or other finishes, doors, windows, cables, conduits, wirings, sockets, electrical installations and plumbing fixtures found in or about the Leased Premises. All windows, glass or plate glass of or in the Leased Premises broken or damaged by the LESSEE or its Sub-Lessees due to the fault or negligence of the LESSEE, its guests, employees or agents or its Sub-Lessees shall be replaced at the cost of the LESSEE or the Sub-Lessee. The Leased Premises and all additions and installations supplied by the LESSOR shall be kept in good clean working condition and repair (reasonable wear and tear excepted). The LESSEE shall provide itself, at its cost and expense, or cause its Sub-Lessee to provide itself at its cost and expense, with receptacles to hold and contain waste matter, garbage and refuse; shall keep or cause to keep, the same in securely sealed containers and shall dispose, or cause to dispose, of such garbage on a daily basis in the manner prescribed by the LESSOR. It shall keep drains, pipes, sanitary or plumbing apparatus, used exclusively by the LESSEE, its employees, guests, clients or customers or Sub-Lessees, their employees, guests, clients or customers, in good clean and tenantable condition (reasonable wear and tear excepted) and in accordance with the requirements imposed by regulations of governmental authorities and the LESSOR. The LESSEE shall pay the LESSOR for all costs in cleaning, repairing or replacing any of the same when found to be blocked or stopped owing to the careless and improper use or neglect thereof by the LESSEE, its employees, clients, customers or guests or its Sub-Lessees, their employees, clients, customers or guests. The LESSEE shall be responsible for any capital expenditure necessary and incidental to the maintenance and upkeep of the Leased Premises.

6.7.2 Assignment of Tenant Contract

The LESSEE shall not assign or transfer its rights under the Tenant Contract, nor sub-lease all or any part of the Leased Premises or enter into any arrangement whereby the use or possession of any part of the Leased Premises is transferred to any person, irrespective of whether rental or other consideration is given therefor. No right, title or interest to, in and under the Tenant Contract or the Leased Premises shall be deemed conferred or vested in any person other than the LESSEE, to the extent specified herein, without the LESSOR's prior written consent.

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for AREIT, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\,(1 + \mathit{i}\,)^{t}}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\,/\,(1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector as of the valuation date.

Cost of Equity		Delevered	Relevered
Risk free rate (10Y)	3.3340%		
Market rate of return	6.6025%		
Phil RE sector beta	1.2400	0.6593	2.2301
Cost of equity	7.3869%	5.4888%	10.6231%
Computation of Weighted Average Cost of Capital			
	Cost	**%**	**Weight**
Debt	5.07%	30.00%	1.06%
Equity	10.62%	70.00%	7.44%
		Weighted average cost of capital	**8.50%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FVt / (1 + i)t] - I_0$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 **For the tenure of the leases, we have used lease data provided by the COMPANY;**

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the COMPANY;

7.9.3 For the operating expenses, we have used the data provided by the CLIENT and projected based on the 5-year historical average; and

7.9.4 For the building lease, we have considered PHP2,733,078 per month in lieu of depreciation and land lease with an annual escalation rate of 5% starting Year 2 provided by the CLIENT.

7.9.5 The terminal value/reversion value is calculated using Gordon growth model.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the market value of the **McKinley Exchange Corporate Center** as of 17 June 2020 is:

PESOS:
TWO BILLION
SEVENTY-ONE MILLION
FIVE HUNDRED SEVENTY THOUSAND ONLY
(In Words)

PHP2,071,570,000.00
(In Figures)

9 Valuation Date

This valuation is dated **17 June 2020.**

ANNEX A

AREIT, INC.
MCKINLEY EXCHANGE CORPORATE CENTER
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2020	2021	2022	2023	2024	2025
Operating Expenses:							
General and Admin Expense	% of Revenue	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other Operating Expense (Mgt Fees)	% of Revenue	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Dues	% of Revenue	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%
Building Lease	PHP/mo	2,733,078	2,869,732	3,013,218	3,163,879	3,322,073	3,488,177
Escalation Rate	%		5%	5%	5%	5%	5%
FREE CASH FLOWS							
Rental Income:							
Offices	PHP	48,209,620	101,492,251	108,432,036	103,441,440	108,613,512	114,044,188
Retail	PHP	6,630,125	13,260,250	13,260,250	13,260,250	13,923,262	14,619,425
Parking	PHP	1,304,513	2,869,929	3,143,768	2,999,076	3,149,029	3,306,481
Total Rent Revenues		**56,144,257**	**117,622,430**	**124,836,054**	**119,700,766**	**125,685,804**	**131,970,094**
Less: Operating expenses	PHP						
General and Admin Expense	PHP	(81,252)	(170,224)	(180,663)	(173,232)	(181,893)	(190,988)
Other Operating Expense	PHP	(17,404,792)	(36,545,035)	(38,396,170)	(40,112,057)	(42,117,660)	(44,223,543)
Dues	PHP	2,138,493	4,480,151	4,754,913	4,559,313	4,787,279	5,026,643
Total OPEX	**PHP**	**(15,347,551)**	**(32,235,108)**	**(33,821,921)**	**(35,725,975)**	**(37,512,274)**	**(39,387,888)**
NET INCOME	**PHP**	**40,796,707**	**85,387,322**	**91,014,133**	**83,974,790**	**88,173,530**	**92,582,206**
NET CASH FLOWS	**PHP**	**40,796,707**	**85,387,322**	**91,014,133**	**83,974,790**	**88,173,530**	**92,582,206**
Terminal Value							
NET PRESENT VALUE							
Period lapsed	years	0.5000	1.5000	2.5000	3.5000	4.5000	5.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	#	0.9600	0.8848	0.8155	0.7516	0.6927	0.6385
Present value	**PHP**	**39,166,115**	**75,552,627**	**74,222,536**	**63,117,047**	**61,081,086**	**59,110,799**
Net present value (NPV)	**PHP**	**2,071,573,073**					
Rounded to:	**PHP**	**2,071,570,000**					

ANNEX A

AREIT, INC.
MCKINLEY EXCHANGE CORPORATE CENTER
DISCOUNTED CASH FLOW
as of the date indicated
ASSUMPTIONS TO PROJECTIONS

	Remarks	2026	2027	2028	2029	Terminal Value
Operating Expenses:						
General and Admin Expense	% of Revenue	0.1%	0.1%	0.1%	0.1%	
Other Operating Expense (Mgt Fees)	% of Revenue	1.8%	1.8%	1.8%	1.8%	
Dues	% of Revenue	-3.8%	-3.8%	-3.8%	-3.8%	
Building Lease	PHP/mo	3,662,586	3,845,715	4,038,001	4,239,901	
Escalation Rate	%	5%	5%	5%	5%	
FREE CASH FLOWS						
Rental Income:						
Offices	PHP	119,746,397	125,733,717	132,020,403	138,621,423	
Retail	PHP	15,350,396	16,117,916	16,923,812	17,770,003	
Parking	PHP	3,471,805	3,645,395	3,827,665	4,019,048	
Total Rent Revenues		**138,568,599**	**145,497,029**	**152,771,880**	**160,410,474**	
Less: Operating expenses	PHP					
General and Admin Expense	PHP	(200,537)	(210,564)	(221,092)	(232,147)	
Other Operating Expense	PHP	(46,434,720)	(48,756,456)	(51,194,279)	(53,753,993)	
Dues	PHP	5,277,975	5,541,874	5,818,968	6,109,916	
Total OPEX	**PHP**	**(41,357,282)**	**(43,425,146)**	**(45,596,404)**	**(47,876,224)**	
NET INCOME	**PHP**	**97,211,317**	**102,071,882**	**107,175,477**	**112,534,250**	
NET CASH FLOWS	**PHP**	**97,211,317**	**102,071,882**	**107,175,477**	**112,534,250**	
Terminal Value						**3,215,383,910**
NET PRESENT VALUE						
Period lapsed	years	6.5000	7.5000	8.5000	9.5000	9.5000
Discount rate	%	8.50%	8.50%	8.50%	8.50%	8.50%
Present value factor	#	0.5885	0.5424	0.4999	0.4607	0.4607
Present value	**PHP**	**57,204,068**	**55,358,842**	**53,573,137**	**51,845,034**	**1,481,341,782**
Net present value (NPV)	**PHP**					
Rounded to:	**PHP**					

ANNEX 3

Market Study on the Metro Manila Office Sector

(FINAL DRAFT)

29 June 2020

Prepared by:
Theresa Teodoro
Karla Domingo
Joey Bondoc
Aleks Sotero

Prepared for:
AREIT, Inc. thru
BPI Capital

Accelerating success.

Colliers International Philippines, Inc.
Valuation & Advisory Services

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Our Ref: CIP/CONS20-005

29 June 2020

AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1226

Attn: Ms. Carol T. Mills and Ms. Susan J. Secreto:

Re: Market Study on the Metro Manila Office Sector (the 'Project')

With reference to your instructions received on January 2020, we have prepared the Market Study on the Metro Manila Office Sector (the "Project") for your perusal. As we understand, this report is for the market study portion of the Company's Initial Public Offering.

The market report is enclosed herewith.

Yours faithfully,

For and on behalf of
Colliers International Philippines, Inc.

Theresa Teodoro
Director
Valuation and Advisory Services

Accelerating success.

TABLE OF CONTENTS

1 INTRODUCTION

1.1 INSTRUCTIONS

This report has been prepared upon the instructions of AREIT Inc., through BPI Capital (the "Client") to prepare a Market Study on the Metro Manila office sector. It covers the office market in Metro Manila, with focus on Fort Bonifacio and Makati CBD. We understand that the Client will use the report as a portion of the Client's Initial Public Offering

1.2 INFORMATION SOURCES

The information provided in this report has been obtained from the Client, applicable government bureaus, other public information sources and our internal database.

1.3 CAVEATS AND ASSUMPTIONS

This report is subject to our Standard Caveats and Assumptions as set out in Section 8.

2 OVERVIEW OF THE PHILIPPINE ECONOMY

2.1 HISTORICAL ECONOMIC PERFORMANCE

Table 1 : Historical Economic Indicators (At Constant 2000 Prices)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Growth Rates (in %):												
Gross National Product	4.3	4.6	7.0	3.0	7.1	7.8	6.0	5.8	6.7	6.5	5.9	5.5
Gross Domestic Product	4.2	1.1	7.6	3.7	6.7	7.1	6.1	6.1	6.9	6.7	6.2	5.9
Personal Consumption Expenditure	3.7	2.3	3.4	5.6	6.6	5.6	5.6	6.3	7.1	5.9	5.6	5.8
Gov't. Expenditure	0.3	10.9	4.0	2.1	15.5	5.0	3.3	7.6	9.0	6.2	13.0	10.5
Capital Formation	23.4	-8.7	31.6	2.8	-4.3	27.9	4.2	18.4	24.6	9.4	13.2	-0.6
Exports	-2.7	-7.8	21.0	-2.5	8.6	-1.0	12.6	8.5	11.6	19.7	13.4	3.2
Imports	1.6	-8.1	22.5	-0.6	5.6	4.4	9.9	14.6	20.2	18.1	16.0	2.1
AHFF[a]	3.2	-0.7	-0.2	2.6	2.8	1.1	1.7	0.1	-1.2	4.0	0.9	1.5
Industry	4.8	-1.9	11.6	1.9	7.3	9.2	7.8	6.4	8.1	7.1	6.7	4.9
Services	4.0	3.4	7.2	4.9	7.1	7.0	6.0	6.9	7.5	6.8	6.8	7.1
Other Indicators:												
Average Inflation[b]	8.3	4.1	3.9	4.6	3.2	2.6	3.6	0.7	1.3	2.9	5.0	2.5
PHP-USD (Average)	44.7	47.6	45.1	43.3	42.1	42.5	44.4	45.4	47.5	50.5	52.7	50.7
Average 91-Day T-Bill Rates (in %)	5.2	4.0	3.7	1.4	1.6	0.3	1.2	1.8	1.5	2.1	3.5	4.7

[a]Agriculture, Hunting, Forestry, Fishing
[b]Base year is 2012
Source: Philippine Statistics Authority, Bangko Sentral ng Pilipinas

The Philippine economy, as measured by real gross domestic product (GDP), grew by an average of 6.3% annually from 2010 to 2019. During this period, the Philippines was among the fastest-growing economies in Asia Pacific.

GDP rose by 5.9% in 2019, below the government's target of 6%-6.5% for 2019. Among the main drivers of growth for 2019 are Government Expenditures, which grew by 18.7% in Q4 2019. Household consumption which accounts for about 70% of the country's GDP, grew by 5.8% in 2019. Other drivers of the economy were the Services and Industry segment which grew by 7.1% and 4.9% respectively. The Agriculture sector also grew by 1.5% in 2019.

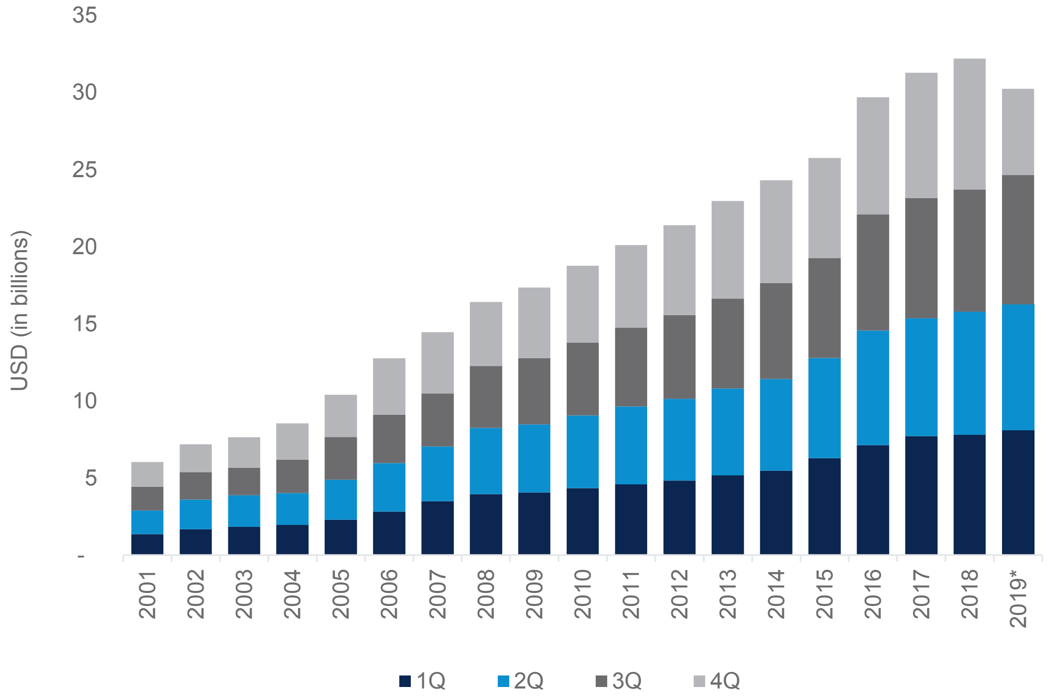
2.2 ECONOMIC INDICATORS

Various factors have contributed to the current growth trend that the country is experiencing:

2.2.1 OVERSEAS FILIPINO REMITTANCES

As of October 2019, OFW remittances reached USD30.3 billion a 4.1% growth from the same period in 2018. About 78% of the remittances came from the United States (US), Saudi Arabia, United Arab Emirates, Singapore, Japan, United Kingdom, Kuwait, Canada, Germany, and Hong Kong. The continued growth in personal remittances was driven by steady remittance inflows from land-based OFWs with work contracts of one year or more and compensation of sea and land-based workers with short-term contracts.

Figure 1: Overseas Filipino Worker Remittances



**As of October 2019*
Source: Bangko Sentral ng Pilipinas (BSP)

2.2.2 STABLE EMPLOYMENT

Unemployment rate went even lower at 4.5% in October 2019 as compared to the 5.1% recorded in October 2018, which translated to about 153,000 less unemployed persons. Underemployment declined to 13.0% in October 2019 from 13.3% in the same period last year. The Philippine employment is expected to improve in the coming years as the country is projected to register sustained economic growth. This should be supported by the deployment of more infrastructure projects, continued growth in real estate and construction related industries, and expansion of the businesses outside Metro Manila.

Table 2: Employment Statistics

Year	Month	Labor Force Participation Rate	Employment Rate	Unemployment Rate	Underemployment Rate
2010	**Jan**	**64.50%**	**92.70%**	**7.30%**	**19.70%**
	Apr	63.60%	92.00%	8.00%	17.80%
	Jul	63.90%	93.00%	7.00%	17.90%
	Oct	64.20%	92.90%	7.10%	19.60%
2011	**Jan**	**63.70%**	**92.60%**	**7.40%**	**19.40%**
	Apr	64.20%	92.80%	7.20%	19.40%
	Jul	64.30%	92.90%	7.10%	19.10%
	Oct	66.30%	93.60%	6.40%	19.10%
2012	**Jan**	**64.30%**	**92.80%**	**7.20%**	**18.80%**
	Apr	64.70%	93.10%	6.90%	19.30%
	Jul	64.00%	93.00%	7.00%	22.70%
	Oct	63.90%	93.20%	6.80%	19.00%
2013	**Jan**	**64.10%**	**92.90%**	**7.10%**	**20.90%**
	Apr	63.80%	92.50%	7.50%	19.20%
	Jul	63.90%	92.70%	7.30%	19.20%
	Oct	63.90%	93.50%	6.50%	17.90%
2014	**Jan**	**63.80%**	**92.50%**	**7.50%**	**19.50%**
	Apr	65.20%	93.00%	7.00%	18.20%
	Jul	64.40%	93.30%	6.70%	18.30%
	Oct	64.30%	94.00%	6.00%	18.70%
2015	**Jan**	**63.80%**	**93.40%**	**6.60%**	**17.50%**
	Apr	64.60%	93.60%	6.40%	17.80%
	Jul	62.90%	93.50%	6.50%	21.00%
	Oct	63.30%	94.40%	5.60%	17.70%
2016	**Jan**	**63.30%**	**94.20%**	**5.80%**	**19.70%**

Year	Month	Labor Force Participation Rate	Employment Rate	Unemployment Rate	Underemployment Rate
	Apr	63.60%	93.90%	6.10%	18.40%
	Jul	63.30%	94.60%	5.40%	17.30%
	Oct	63.60%	95.30%	4.70%	18.00%
2017	**Jan**	**60.70%**	**93.40%**	**6.60%**	**16.30%**
	Apr	61.40%	94.30%	5.70%	16.10%
	Jul	60.60%	94.40%	5.60%	16.30%
	Oct	62.10%	95.00%	5.00%	15.90%
2018	**Jan**	**62.20%**	**94.70%**	**5.30%**	**18.0%**
	Apr	60.90%	94.50%	5.50%	17.00%
	Jul	60.10%	94.60%	5.40%	17.20%
	Oct	60.60%	94.90%	5.10%	13.30%
2019	Jan	60.20%	94.80%	5.20%	15.60%
	Apr	61.40%	94.90%	5.10%	13.50%
	Jul	62.10%	94.60%	5.40%	13.90%
	Oct /p	61.50%	95.50%	4.50%	13.00%

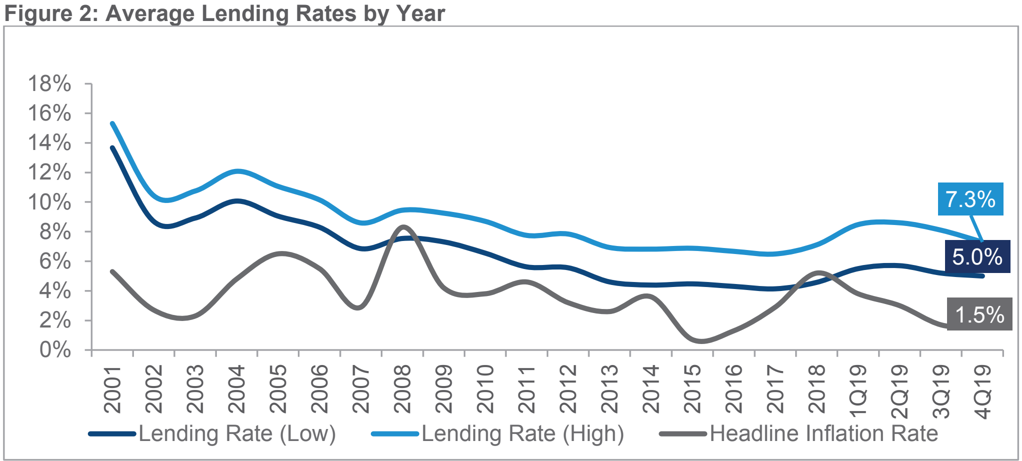
Source: Philippine Statistics Authority

p/ Estimates for October 2019 are preliminary and may change.

2.2.3 INTEREST RATES

Lending rates, as of Q4 2019 (November), ranged from a high of 7.3% to a low of 5.0%. Headline inflation accelerated to 2.5% in December 2019 from the 1.3% in November 2019, placing 2019 average inflation at 1.5%, a 3-year low and well within the government's 2-4 percent target for the year. According to the central bank, the downside risks to inflation seem to have emanated from the continued implementation of the rice tarrification law, and the stronger peso against the US dollar. Upside risks to inflation include the strong rebound in global oil prices; higher domestic demand during the holiday season; elevated prices of meat alternatives due to the African Swine Fever (ASF) outbreak; and the effect of weather conditions on food supply. Meanwhile, analysts still expect a benign inflation in 2020 with an outlook tilted on the upside due to the implementation of the other packages of the Comprehensive Tax Reform Program such as excise taxes on oil and tobacco. Meanwhile, as of 4Q 2019, average mortgage rate was at 6.9%.

Figure 2: Average Lending Rates by Year

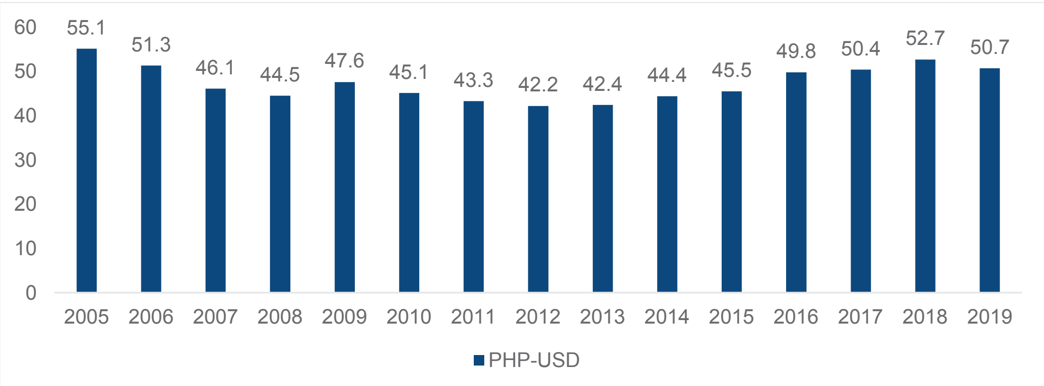


Source: Bangko Sentral ng Pilipinas

2.2.4 PESO APPRECIATES

The average exchange rate in Q4 2019 was PHP50.76 to USD1 from PHP51.76 to USD1 recorded in Q3 2019. The peso's appreciation was due mainly to the benign domestic inflation environment, sustained Overseas Filipino Worker (OFW) remittances, foreign direct investments (FDI) and business process outsourcing receipts.

Figure 3: Average Historical PHP-USD Exchange Rates

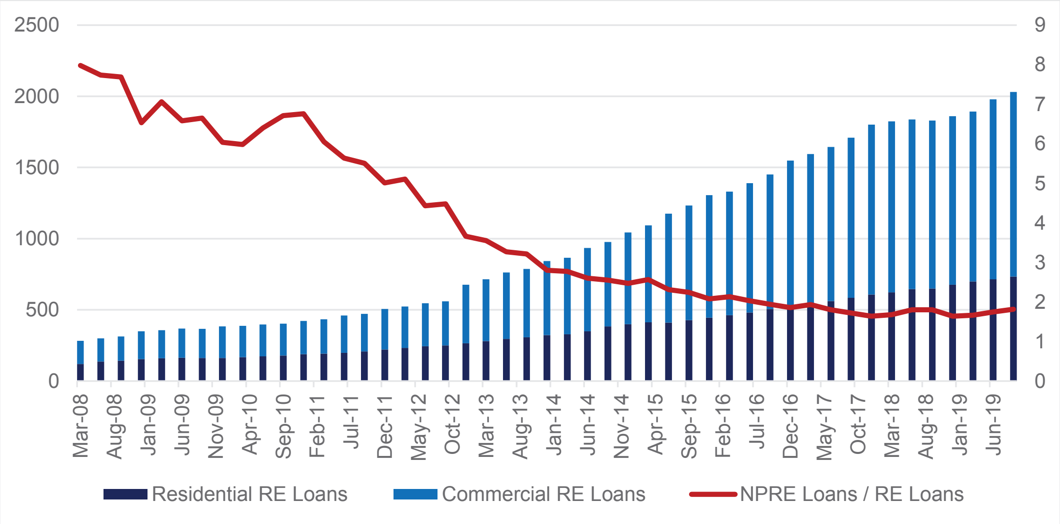


Source: Bangko Sentral ng Pilipinas

2.2.5 REAL ESTATE LOANS

Real estate loans for September 2019 grew by 11% to Php2.03 trillion from Php1.83 trillion in September 2018. The proportion of non-performing real estate loans reached 1.82%. Real estate loans for commercial use accounted for 64% or Php1.30 trillion while residential loans covered the remaining 36% or Php734 billion.

Figure 4: Residential and Commercial Real Estate Loans



Source: Bangko Sentral ng Pilipinas
**As of September 2019*

2.3 METRO MANILA OVERVIEW

2.3.1 GEOGRAPHICAL LOCATION

Metro Manila is also known as the National Capital Region ("NCR") because it houses the seat of government and is the most populous region in the country. It is composed of the following cities: Manila, Quezon City, Caloocan, Las Pinas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Paranaque, Pasay, Pasig, San Juan, Taguig, Valenzuela and the Municipality of Pateros.

Source: http://ncr.ntc.gov.ph/

Metro Manila has a total land area of 636 square kilometers or 63,600 hectares and is composed of sixteen cities and one (1) municipality. It is located along the flat alluvial and deltaic lands around the mouth of the Pasig River and extends to the higher rugged lands surrounding Marikina Valley in the east. It is bounded by Manila Bay in the west, the Sierra Madre Mountains in the east, the fertile plains of Central Luzon in the north, and Laguna Bay in the south.

2.3.2 ECONOMY

2.3.3 GROSS REGIONAL DOMESTIC PRODUCT

Metro Manila is the economic center of the Philippines with the region accounting for 36% of the country's GDP in 2018 and growing by 4.8% between 2017 and 2018, slower than the national GDP growth rate for the same period.

REGION / YEAR	2016 (in Php)	2017 (in Php)	2018 (in Php)	% Share	% Growth (17-18)
Philippines	**8,123,375,304**	**8,665,818,041**	**9,206,888,993**	**100%**	**6.2%**
NATIONAL CAPITAL REGION	**2,976,234,624**	**3,159,842,816**	**3,312,006,887**	**36.0%**	**4.8%**
Cordillera Administrative Region	136,873,913	153,611,966	164,891,934	1.8%	7.3%
Region I - Ilocos Region	257,277,270	272,127,691	289,866,090	3.1%	6.5%
Region II - Cagayan Valley	139,548,688	149,475,093	154,446,076	1.7%	3.3%
Region III - Central Luzon	773,108,325	844,038,175	904,021,524	9.8%	7.1%
Region IVA - CALABARZON	1,364,736,594	1,456,341,332	1,562,497,002	17.0%	7.3%
Region IVB - MIMAROPA	125,597,582	132,096,336	143,411,171	1.6%	8.6%
Region V - Bicol Region	164,065,917	172,249,247	187,599,848	2.0%	8.9%
Region VI - Western Visayas	323,562,341	351,386,178	372,867,944	4.0%	6.1%
Region VII - Central Visayas	524,645,371	551,684,028	593,850,122	6.5%	7.6%
Region VIII - Eastern Visayas	171,610,264	174,651,332	184,941,774	2.0%	5.9%
Region IX - Zamboanga Peninsula	164,866,496	168,806,467	179,376,571	1.9%	6.3%
Region X - Northern Mindanao	304,952,799	322,565,118	345,275,060	3.8%	7.0%
Region XI - Davao Region	333,405,134	369,070,854	400,825,766	4.4%	8.6%
Region XII - SOCCSKARGEN	213,182,370	230,775,902	246,690,292	2.7%	6.9%
Caraga	98,905,278	102,494,583	105,771,077	1.1%	3.2%
Autonomous Region in Muslim Mindanao	50,802,338	54,600,922	58,549,855	0.6%	7.2%

Note: At constant 2000 prices
Source: Philippine Statistics Authority

Metro Manila is also the hub of business and industry in the country with a total of 187,650 establishments or 20.5% of the 915,726 total in 2016, according to the Philippine Statistics Authority. The Wholesale and Retail sector has the biggest share in terms of number with 79,403 establishments or 42.3% of Metro Manila establishments, followed by Accommodation and Food Services with 23,648 establishments, and Manufacturing with 19,600 establishments.

Region	Number of Establishments	% Share
Philippines	**915,726**	
NATIONAL CAPITAL REGION	**187,650**	**20%**
Cordillera Administrative Region	18,992	2%
Region I - Ilocos Region	48,649	5%
Region II - Cagayan Valley	29,038	3%

Region	Number of Establishments	% Share
Region III - Central Luzon	103,546	11%
Region IVA - CALABARZON	138,301	15%
Region IVB - MIMAROPA	27,226	3%
Region V - Bicol Region	36,214	4%
Region VI - Western Visayas	55,199	6%
Region VII - Central Visayas	62,129	7%
Region VIII - Eastern Visayas	27,834	3%
Region IX - Zamboanga Peninsula	31,843	3%
Region X - Northern Mindanao	35,331	4%
Region XI - Davao Region	49,575	5%
Region XII - SOCCSKARGEN	37,910	4%
Caraga	16,907	2%
Autonomous Region in Muslim Mindanao	9,382	1%

Source: Philippine Statistics Authority, 2016 No. of Establishments

There are also several business districts in the region, namely Makati Central Business District, Ortigas Center and Bonifacio Global City containing most of the headquarters of many multinational and local corporations. The City of Manila is also a bustling center of industry with the Port of Manila being one of the world's busiest container ports. Paranaque City meanwhile is the airport hub of the national capital as the country's main airport, the Ninoy Aquino International Airport that has both domestic and international flights, is located in the city.

INDUSTRY/YEAR	2016 (in ₱)	2017 (in ₱)	2018 (in ₱)	% Share	% Growth (17-18)
I. AGRICULTURE, HUNTING, FORESTRY & FISHING	**5,283,808**	**5,320,503**	**5,340,709**	**0.2%**	**0.4%**
a. Agriculture and Forestry	5,225,085	5,261,967	5,281,599	0.2%	0.4%
b. Fishing	58,723	58,536	59,109	0.0%	1.0%
II. INDUSTRY SECTOR	**548,264,718**	**559,372,526**	**561,945,691**	**17.0%**	**0.5%**
a. Mining and Quarrying	-	-	-	-	-
b. Manufacturing	369,695,103	393,037,342	379,836,743	11.5%	-3.4%
c. Construction	88,199,004	73,872,198	86,385,203	2.6%	16.9%
d. Electricity, Gas and Water Supply	90,370,611	92,462,987	95,723,745	2.9%	3.5%
III. SERVICE SECTOR	**2,422,686,098**	**2,595,149,787**	**2,744,720,488**	**82.9%**	**5.8%**
a. Transportation, Storage & Communication	176,019,678	179,904,470	188,360,471	5.7%	4.7%
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	860,729,639	931,376,891	984,105,639	29.7%	5.7%
c. Financial Intermediation	315,112,742	338,401,396	358,968,215	10.8%	6.1%
d. Real Estate, Renting & Business Activities	519,993,862	561,705,362	584,368,886	17.6%	4.0%

INDUSTRY/YEAR	2016 (in ₱)	2017 (in ₱)	2018 (in ₱)	% Share	% Growth (17-18)
e. Public Administration & Defense; Compulsory Social Security	162,817,295	178,354,989	207,048,200	6.3%	16.1%
f. Other Services	388,012,883	405,406,678	421,869,075	12.7%	4.1%
GROSS DOMESTIC PRODUCT	**2,976,234,624**	**3,159,842,816**	**3,312,006,887**	**100.0%**	**4.8%**

Note: At constant 2000 prices
Source: Philippine Statistics Authority

The service sector continues to be the top source of GDP for Metro Manila, as it makes up 82.9% of the total GDP of the region. Among the sectors in the services sector, trade and repair of vehicles, personal and household goods is the top contributor, with a share of 29.7% followed by real estate, renting and business activities with 17.6%.

2.3.4 BANKING STATISTICS

Total deposits in Metro Manila grew at a rate of 1.81% annually from 2013 to June of 2019. Highest growth can be seen in the City of Manila growing 8.52% from a total average deposit per account of Php248,000 in 2013 to Php440,000 in the first half of 2019. This growth rate is more than triple the average growth rate experienced by the region. Pasay City on the other hand had a negative growth, from Php241,000 to Php132,000. However, this might be attributed to the increased number of bank accounts in the City. Other cities with significant growth in terms of average amount per account are: Mandaluyong City (5.33%), Makati (3.87%), Marikina City (3.78%).

Makati City remains to have the highest average, at Php471,000 per account, followed by the City of Manila. Conversely, Pateros and Las Pinas City have the lowest average amounts per account at Php97,000 and Php124,000, respectively.

Areas	2013	2014	2015	2016	2017	Jun-18	Jun-19	CAGR (2013 - Jun 2019)
Metro Manila	**277**	**269**	**282**	**318**	**343**	**339**	**314**	**1.81%**
City of Manila	248	286	307	370	417	422	440	8.52%
City of Muntinlupa	186	180	198	214	229	223	216	2.18%
City of Navotas	182	177	193	199	205	213	193	0.85%
City of San Juan	160	120	125	150	179	214	167	0.61%
Caloocan City	244	237	270	309	347	331	306	3.28%
City of Las Pinas	114	108	110	123	128	130	124	1.18%
City of Makati	361	359	365	447	484	481	471	3.87%
City of Malabon	168	161	168	188	198	199	197	2.28%
City of Mandaluyong	196	199	249	296	337	303	282	5.33%
City of Marikina	115	112	133	162	163	163	149	3.78%

Areas	2013	2014	2015	2016	2017	Jun-18	Jun-19	CAGR (2013 - Jun 2019)
City of Parañaque	188	190	192	220	233	252	223	2.48%
Pasay City	241	125	140	116	130	127	132	-8.21%
City of Pasig	404	376	408	416	413	353	217	-8.48%
Pateros	87	82	98	90	92	97	97	1.50%
Quezon City	237	230	255	286	303	291	279	2.33%
Taguig City	413	370	357	370	346	370	325	-3.36%
City of Valenzuela	173	161	200	224	225	217	203	2.29%

Source: PDIC
Note: CAGR – Compounded Annual Growth Rate

2.3.5 DEMOGRAPHIC PROFILE

2.3.6 POPULATION

From 2010 to 2015, Metro Manila's population grew from 11,855,975 to 12,877,253 or a 1.58% annual population growth.

Metro Manila Cities	Land Area (hectares)	2010 total population	2015 total population	2010-2015 CAGR
Manila City	2,498	1,652,171	1,780,148	1.43
Mandaluyong City	929	328,699	386,276	3.12
Marikina City	2,152	424,150	450,741	1.16
Pasig City	4,846	669,773	755,300	2.31
Quezon City	17,171	2,761,720	2,936,116	1.17
San Juan City	595	121,430	122,180	0.12
Kalookan City	5,580	1,489,040	1,583,978	1.18
Malabon City	3,264	353,337	365,525	0.65
Navotas City	894	249,131	249,463	0.03
Valenzuela City	4,702	575,356	620,422	1.45
Las Piñas City	3,269	552,573	588,894	1.22
Makati City	1,831	529,039	582,602	1.85
Muntinlupa City	3,975	459,941	504,509	1.78
Parañaque City	4,657	588,126	665,822	2.39
Pasay City	1,397	392,869	416,522	1.12
Pateros	1,040	64,147	63,840	-0.09
Taguig City	4,521	644,473	804,915	4.32
Metro Manila	***63,600***	***11,855,975***	***12,877,253***	***1.58***

Metro Manila Cities	Land Area (hectares)	2010 total population	2015 total population	2010-2015 CAGR
Philippines	***30,000,000***	***92,337,852***	***100,981,437***	***1.72***

Source: Philippine Statistics Authority

Based on the demographic statistics, Quezon City is the largest in terms of land area as well as total population among the cities in Metro Manila. However, it is Taguig City that has seen the highest compounded annual growth in population at 4.32%.

In 1970, the population of Metro Manila was at 3.9 million people, which was 11% of the 36.7 million total population in the country. By 2015, this number surged to 12.9 million, which was a 1.7% growth every year from the 2000 figure of 9.9 million and accounts for 13% of the country's total population. This growth is slightly lower than the Philippines' 1.7% growth from 2000 to 2015.

	1970	1980	1990	2000	2010	2015	CAGR (2000-2015)
Metro Manila	3,967,000	5,926,000	7,948,000	9,932,560	11,855,975	12,877,253	1.70%
Philippines	36,684,000	48,098,000	60,704,000	76,506,928	92,337,852	100,981,437	1.80%

Source: Philippine Statistics Authority

2.3.7 LABOR

As the political, economic and industrial center of the country, Metro Manila's labor force is largely composed of laborers and unskilled workers (22%), roughly numbering 1,041,000 persons. This occupation group does simple and routine tasks which may require tools and physical effort. Government officials, corporate executives, managers, proprietors and supervisors follow with 897,000 employees. Those involved in BPO operations are classified under different occupation groups depending on the services delivered. BPO employees could be classified under clerical support workers, managers and supervisors or technicians and associate professionals depending on the level of services delivered.

Major Occupation Group	Metro Manila	
Laborers and unskilled workers	22%	1,041,000
Officials of Government and special interest organizations, corporate executives, managers, managing proprietors, and supervisors	19%	897,000
Service Workers and shop and market sales workers	15%	726,000
Clerks	13%	641,000
Trade and related workers	9%	423,000
Plant and machine operators and assemblers	8%	393,000
Professionals	8%	378,000
Technicians and Associate professionals	5%	223,000

Major Occupation Group	Metro Manila	
Farmers, forestry workers, and fishermen	0%	15,000
Special Occupations (including non-gainful activities)	0%	15,000
Total		***4,752,000***

Source: Philippine Statistics Authority, April 2019, Labor Force Survey

2.3.8 OFW CONCENTRATION

An estimated 2.4 million Overseas Filipino Workers (OFWs) were recorded in 2015, approximately 11% of which are from Manila. Most are employed as Service Workers, Shop and Market Sales Workers at 23.6% followed by Laborers and Unskilled Workers at 17.5% and Plant and Machine Operators and Assemblers at 13.6%.

OFW Major Occupation Group	Metro Manila	
Service Workers and shop and market sales workers	23.60%	63,484
Laborers and unskilled workers	17.50%	47,075
Plant and machine operators and assemblers	13.60%	36,584
Professionals	12.70%	34,163
Trade and related workers	11.50%	30,935
Technicians and Associate professionals	9.00%	24,210
Clerks	6.80%	18,292
Officials of Government and special interest organizations, corporate executives, managers, managing proprietors, and supervisors	5.30%	14,257
Farmers, forestry workers, and fishermen	-	-
Total		***269,000***

Source: Philippine Statistics Authority

2.3.9 UPCOMING INFRASTRUCTURE

Project	General Status	Target Date of Completion*	Description
Manila North Expressway Project (Segments 8, 9, 10)	Under Construction	(2019) Delayed	14-km extension to Commonwealth Ave.
Metro Manila Skyway (MMS) Stage 3	66.74% complete	2020	Elevated expressway from Buendia, Makati City to Balintawak, Quezon City
Bonifacio Global City- Ortigas Center Link Road Project	Under Construction	2020	4-km roadway to linked BGC from Pasig
MRT Line 7	40.44% complete	2020	A 22.8-km elevated railway from Q. Avenue to San Jose del Monte, Bulacan
LRT Line 2 East Extension	Under Construction	2020	4-km extension from LRT-2 that Connects Santolan Station to Masinag
NLEX-SLEX Connector Road	Pre-Construction	2021	an 8-kilometer elevated road from C-3 Road Caloocan City to PUP Sta. Mesa, Manila
Taguig Integrated Terminal	To commence construction	2021	Terminal for passengers coming from Batangas/Laguna

Project	General Status	Target Date of Completion*	Description
	within 6-8 months		
Fort Bonifacio – Makati Sky Train	Under Review	2022	2-km monorail that will connect Makati City and Fort Bonifacio
C-5 Southlink Expressway Project	Under Construction	2022	A 7.7-km connection from C5 to CAVITEx through Taguig, Parañaque, Las Piñas, and Cavite.
Southeast Metro Manila Expressway Project	Under Construction	2022	34-KM expressway running across eastern Metro Manila and part of Rizal
LRT-1 Cavite Extension	Pre-Construction	2022	Extending LRT 1 from Baclaran to Bacoor, Cavite
North-South Commuter Rail Plan	Under Review	2023	147-km railway that will link Clark Airport to Manila and to Calamba City
Mega Manila Subway	Under Construction	2025	25-km underground mass transport system that will link major business districts and government agencies. Transit line to connect Mindanao Ave. to Pasay City
LRT Line 6	Under Review	TBA	19-km elevated railway from Aguinaldo Highway to Bacoor, Cavite
MRT-11 Project	Under Review	TBA	18-km of elevated MRT from EDSA Balintawak to San Jose del Monte, Bulacan
C5 - MRT 10 Project	Under Review	TBA	22.5 km LRT from NAIA via C5 to Commonwealth Ave

Source: Department of Public Works and Highways, Public-Private Partnership Center, Colliers International Research
**Note: Status as of Q4 2019*

2.3.10 METRO MANILA SUBWAY

The Metro Manila Subway, formerly known as the Mega Manila Subway is a 25-km underground mass transport system that will link major business districts and government agencies. The proposed subway will traverse Quezon City, Pasig, Makati, Taguig and Pasay City. The project is slated to be completed by 2025, and in 2022 the government aims to make three (3) stations operational: Mindanao Ave – Quirino Ave., Tandang Sora, and North Avenue; the three northern most stations of the subway. With the completion of this project, it is estimated that a total of 365,000 riders will be accommodated.

2.3.11 MANILA METRO RAIL TRANSIT SYSTEM LINE 7 ("MRT LINE 7" OR "MRT-7")

MRT-7 is a public-private partnership project that involves the financing, design, construction, operation and maintenance of a 23-kilometer elevated railway line with 14 stations from San Jose Del Monte, Bulacan to MRT-3 North Avenue in Quezon City, and the 22-kilometer asphalt road from Bocaue Interchange of North Luzon Expressway (NLEX) to the intermodal in Tala. It is expected to decongest EDSA, a major thoroughfare in Metro Manila, as this will provide an easier commute to Metro Manila.

The MRT-7 railway will have 13 stations which consisting of: (1) North Avenue, (2) Quezon Memorial, (3) University Ave., (4) Tandang Sora, (5) Don Antonio, (5) Batasan, (6) Manggahan, (7) Doña Carmen, (8) Regalado, (9) Mindanao, (10) Quirino, (11) Sacred Heart, (12) Tala, and (13) San Jose del Monte Intermodal Transport Terminal.

The rail component of this project involves the construction of a 22.8-kilometer rail transit system that will operate 108 rail cars in a three-car train configuration with a project daily passenger capacity ranging from 448,000 to 850,000. Delays in this project were partly due to determining the location of the common station in EDSA. Once completed by year 2020, the project is expected to shorten the 3.5-hour travel time by road from North Avenue, Quezon City to San Jose del Monte, Bulacan and vice versa, to one hour by train. Initially, MRT-7 is expected to accommodate 350,000 daily passengers and once the upgrades are completed, 800,000 passengers per day will benefit from this project.

Commuters can take public utility vehicles or private vehicles and use the new highway from NLEX, take the train through the intermodal transport terminal (ITT), and board the MRT-7 going to North Avenue, Quezon City. There will also be a common station in North Avenue that will connect MRT-7 to Metro Rail Transit Line 3 (MRT3) and the Light Rail Transit Line 1 (LRT-1).

2.3.12 LRT-1 EXTENSION PROJECT

The 11.7-kilometer extension of the Light Rail Train Line 1 (LRT-1), also called the LRT Line 1 Cavite Extension, will start from Baclaran to Bacoor, Cavite. The extension will include the construction of eight (8) passenger stations with two (2) additional passenger stations namely: Manuyo and Talaba Stations; three (3) intermodal facilities, one (1) satellite depot and modification / upgrading of the existing LRT-1 depot. The estimated cost of the project is ₱64.9 billion, and the project is expected to achieve completion by year 2022.

There will be 10 stations which will begin in the last station of the LRT-1, with stops at: (1) Baclaran station, (2) MIA Road, (3) Asia World, (4) N. Aquino, (5) Dr. Santos, (6), Manuyo Uno, (7) Las Piñas, (8) Zapote, (9) Talaba, (10) Niyog Station going to Bacoor.

The winning proponent for the project, a consortium of Ayala Corporation, Metro Pacific Investments Corporation (MPIC) group, and Macquarie, has already held its groundbreaking ceremony last September 2017. It is currently undergoing pre-construction activities which include ROW acquisition, relocation of Informal Settler Families (ISFs), utility diversion and the finalization of alignment.

Upon the completion of this project, the accessibility to residential developments within the affected areas of Parañaque City, Las Piñas City, and Bacoor City, are expected to increase. Offices and retail developments that are primarily located in Entertainment City – 44-hectare development that lies on the western side of Roxas Boulevard and south of SM Corporate District (part of Paranaque City) – are also expected to benefit from increased foot traffic from visitors of Southern Metro Manila.

3 METRO MANILA OFFICE PROPERTY MARKET

3.1 KEY REGULATIONS / POLICIES GOVERNING THE OFFICE PROPERTY MARKET

For the past decade or so, the office market in Metro Manila as well in other key cities in the Philippines has been driven by the Business Process Outsourcing (BPO) industry. BPO companies prefer the Philippines due to the deep talent pool and the relatively lower cost of operations. The strong demand coming from this sector has encouraged a lot of developers to provide facilities that will satisfy their requirements. In addition to established business districts in Metro Manila, developers have also built office buildings in new commercial districts located in other areas of Metro Manila as well as other key cities in the other regions.

Local and foreign investors in the Philippines are entitled to fiscal and non-fiscal incentives. Below is an enumeration of the incentives applicable to BOI and PEZA accredited companies under Executive Order No. 226 and Republic Act No. 7916, respectively. The emerging presence of the IT-BPO firms and companies, and commercial office developers in the country has likewise been highly engaged with these agencies. Currently, there are 401 IT- Parks and/or Centers, and some 3,655 IT enterprises accredited under PEZA. These, together with the other BOI accredited companies are governed under the following incentive laws:

Incentive	BOI	PEZA
Enabling Law	Executive Order No. 226, as amended	Republic Act No. 7916, as amended
FISCAL		
Income Tax Holiday	Pioneer: Six (6) Years Non-Pioneer: Four (4) Years Expansion: Three (3) Years The exemption period may be extended for another year in each of the following cases: 1. The project uses indigenous raw materials 2. The project meets the BOI-prescribed ratio of capital equipment to number of workers 3. The net foreign exchange savings or earnings amount to at least US$ 500,000.00 annually during the first three (3) years of the project's commercial operations	For Export-Oriented: Pioneer : Six (6) Years Non-Pioneer : Four (4) Years Expansion : Three (3) Years A special tax rate of 5% of gross income earned in lieu of the payment of all national and local taxes except real property tax after the income tax holiday
Tax- and Duty-Free Importation of Capital Equipment	Incentives under E.O. 528 For BOI-registered companies: 12% VAT, 0% duty	Available

Incentive	BOI	PEZA
Tax Credit on Domestic Capital Equipment	None	Available
Additional Deduction for Labor Expense	Available for the first five (5) years from registration, additional deduction from the taxable income of 50% of the wages	Same as E.O. No. 226 incentive: Available for the first five (5) years from registration, additional deduction from the taxable income of 50% of the wages
Tax- and Duty-Free Importation on Breeding Stocks and Genetic Materials	Available	Available
Tax Credit on Duty Portion of Domestic Breeding Stocks and Genetic Materials	Available	Available
Tax Credit for Taxes and Duties on Raw Materials	Available (used in the manufacture, processing, or production of a project's export products)	None
Tax and Duty Exempt Importation of Imported Spare Parts	Available	Available
Exemption from Wharf age Dues and Export Tax, Duty, Impost and Fee	Available	Available
Additional Deduction on Training Expenses	None	Equivalent to 1/2 of the value of training expenses incurred
Exemption from Payment of Local Licenses, Fees, Dues, Imposts, Taxes and Burdens	None	Available
Tax and Duty Exempt Importation of Construction Materials	None	Available
Taxes and Duty Exempt Importation of Specialized Office Equipment and Furniture	None	Available
NON-FISCAL		
Business within may be 100% foreign owned		

Incentive	BOI	PEZA
Unrestricted Use of Consigned Equipment	Available (including exemption from taxes and duties on imported supplies and spare parts for consigned equipment) There are no restrictions on the use by BOI-registered enterprises of consigned equipment provided a re-export bond is posted. E. O. No. 226 provides further that if the consigned equipment and spare parts were imported tax and duty-free, the re-export bond may be waived.	Available
Treatment of the Zone as a separate customs territory		Available
Permanent Resident Status for Foreign Investors and Immediate Family (Special Investors Resident Visa)	Foreign personnel of regional headquarters in the Philippines; their respective spouses and unmarried children below 21 years old may be issued multiple entry visas. For investments of US$ 75,000.00	Available For investments of US$ 150,000.00
Employment of Foreign Nationals	Foreign nationals may be employed in supervisory, technical or advisory positions within five (5) years from a project's registration, extendible for limited periods to be determined by the BOI. The positions of president, general manager, and treasurer or their equivalents, of foreign-owned registered firms may be retained by foreign nationals for a longer period. All foreign employees may bring with them their spouses and unmarried children under 21 years of age.	Foreign nationals may be employed in supervisory, technical or advisory positions within five (5) years from a project's registration, extendible for limited periods to be determined by the BOI. The positions of president, general manager, and treasurer or their equivalents, of foreign-owned registered firms may be retained by foreign nationals for a longer period. All foreign employees may bring with them their spouses and unmarried children under 21 years of age. Special Investor's Resident Visa may be issued to aliens investing in at least US$ 75,000 in the Philippines thereby allowing them to reside in the Philippines as long as their investment is maintained.

Incentive	BOI	PEZA
Location on less-developed areas (whether proposed or in an existing venture geared for expansion)	Additional Incentives: 1. The same set of incentives given to a pioneer registered enterprise; 2. A 100% deduction from its taxable income representing the necessary major infrastructure it may have undertaken in the course of its operation; and 3. An additional deduction from taxable income of 100% of the wages corresponding to the increment in the number of direct labor for skilled and unskilled workers in the year of availment as against the previous year is observed.	
Government Facilities for training laborers		Extends assistance on major manpower training of laborers to firms in the zones. The Technical, Education, Skills Development Authority (TESDA) conducts manpower training programs. In addition, the Labor Code grants incentives to firms engaged in labor training activities.

Source: Board of Investments; PEZA

Currently, there are 401 IT-Parks and about 3,655 IT enterprises which are accredited under PEZA. Given the incentives afforded by law and the growing demand for BPO spaces, office developers are keen on securing PEZA accreditation for their planned developments. The Duterte administration issued a moratorium to hold PEZA applications for IT Parks inside Metro Manila which will limit companies seeking for PEZA-approved space to existing CBD's. The existing parks and buildings with approved PEZA accreditation already has an advantage over new buildings in the pipeline that are yet to apply for PEZA accrediation and easily capture the existing BPO/KPO industry.

PEZA has specific requirements for facilities-providers in line with the registration of IT Parks and Buildings intended for IT-enterprises:

PEZA Registration of IT Parks and Buildings

IT Parks and Buildings Located in Metro Manila which covers Manila, Caloocan, Las Piñas, Makati, Mandaluyong, Marikina, Muntinlupa, Paranaque, Pasay, Pasig, Quezon, Valenzuela, Malabon, Navotas, Pateros, San Juan and Taguig.

PEZA shall accredit IT Parks and Buildings, subject to the following conditions:

- It is an existing, new or proposed complex or building with a minim available business floor area of 5,000 square meters (including common areas such as lobbies, elevator/stairways, corridors, wash rooms, and utility areas but excluding parking areas and roof gardens.
- It provides the following minimum facilities required by a tenant IT enterprise:
    - High-speed fiber-optic telecommunication backbone and high-speed international gateway facility or wide-area network (WAN); or any high speed data telecommunication system that may become available in the future;
    - Clean, uninterruptible power supply; and
    - Computer security and building monitoring and maintenance systems (e.g. computer firewalls, encryption technology, fluctuation controls, etc.) Optionally, IT Parks and Buildings in Metro Manila may also provide IT business and technology incubation centers and facilitate access of locator IT Enterprises to IT research and development centers and training and educational institutions / facilities.
- Owners and /or developers of PEZA-registered IT Parks and Buildings in Metro Manila cannot enjoy PEZA incentives; except if the owners and /or developers of IT Parks in Metro Manila are already covered by Presidential Proclamations and / or approved by the PEZA Board prior to the PEZA Board approval of abovementioned guidelines. This includes facilities-providers in such IT Parks, shall be entitled to PEZA incentives.
- It shall be authorized to serve as location for PEZA-registered IT Enterprise only upon issuance of the required presidential proclamation.

IT Parks To Be Located Outside Metro Manila

PEZA shall register IT Parks outside Metro Manila, subject to the following conditions:

- It has a minimum land area of five (5) hectares;
- It provides the following minimum facilities required by tenant IT Enterprise:
    - High-speed fiber optic telecommunication backbone and high-speed international gateway facility or wide-area network (wan); or any high speed data telecommunication system that may become available in the future;
    - Clean, uninterruptible power supply; and
    - Computer security and building monitoring and maintenance systems (e.g. computer firewalls, encryption technology, fluctuation controls, etc). Optionally, IT Parks outside Metro Manila may also provide IT business and technology incubation centers and facilitate access of locator IT Enterprises to IT research and development centers and training and educational institutions / facilities.
- IT Parks located outside of Metro Manila shall become operational (i.e. authorized to serve as location for PEZA_ registered IT Enterprises) only upon the issuance of the required Presidential Proclamation.
    - Owners and / or developers of PEZA-registered IT Parks outside Metro Manila, including facilities providers in the IT Parks, shall be entitled to avail of the following incentives:
        - Income Tax Holiday (ITH) for four (4) years [for non-Pioneer projects], or six (6) years [for Pioneer project] for IT Zones located in less developed areas listed in the investment Priorities Plan, on income earned from locator IT Enterprises and related operations.
        - After the ITH period, the option to pay a special 5% tax on gross income and other fiscal incentives as may be granted by PEZA;
        - VAT zero rating of local purchases made by the owners, developers and facility providers; and
        - Exemption from the expanded withholding tax.

Requirements for PEZA Board Consideration, President Proclamation and Registration of IT Parks and Buildings.

Owners /developers of IT Parks and/or Buildings may apply for PEZA registration by submitting the following requirements:

- PEZA Board Consideration of a Proposed IT Park or Building
    - Application Form (notarized)
    - Anti-Graft Certificate (notarized)
    - SEC Registration Certificate and updated Articles of Incorporation;
    - Board Resolution authorizing the filling of application with PEZA and designating the representative(s) authorized to transact registration with PEZA;
    - Audited Financial Statements (for the last three (3) years of operation, for existing companies)
    - IT Park / Building Projects Description and / or Feasibility Study, which should provide, among other, information on the financial capability of the proponent, present and proposed land use of the area for the IT Park / Building, and development plan and schedule for the proposed IT Park / Building;
    - Vicinity map reflecting the various land uses and important verifiable landmarks within one (1) kilometer radius of the project site
    - Proof of land ownership or any perfected contact / document confirming the applicant's authority / clearance to use the land for the establishment of the proposed IT Park / Building
    - Endorsement by the Sangguniang Bayan / Panlungsod of all local government units (i.e. municipalities and / or cities) of all areas included in the proposed IT Park / Building is not or has ceased to be economically feasible and sound for agricultural purposes (i.e. the area is marginal for agriculture use)
    - DAR Conversion Clearance or Exemption Certificate (or HLURB Zoning Certification, if applicable)
    - Other requirements as may be prescribed by the PEZA Board

PEZA Endorsement of a Proposed IT Park or Building to the Office of the President for the issuance of a Presidential Proclamation

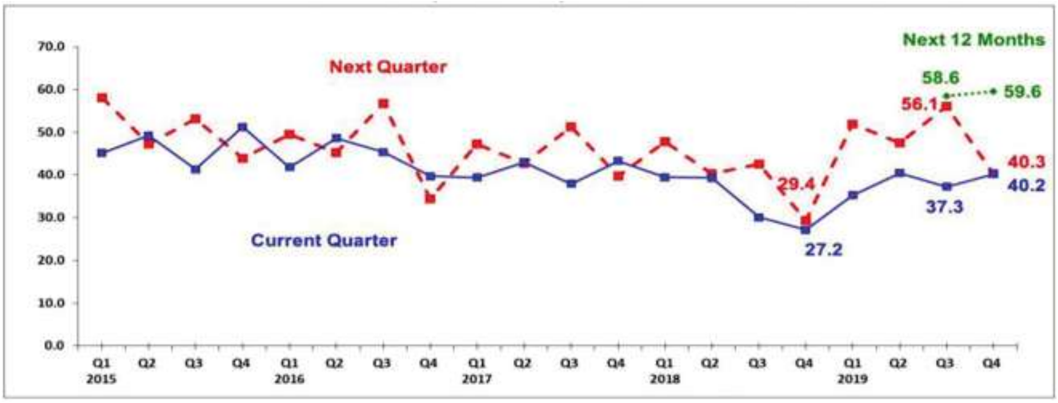
- Proof of land ownership and / or Long-Term Lease Agreement on the area of the proposed IT Park / Building
- Verified survey returns and technical description of the land area
- Certification from the National Water Resources Board that the identified source(s) of water for the IT Park / Building shall not cause water supply and related problems in adjacent communities
- Environmental Compliance Certificate issued by the Department of Environment and Natural Resources
- Other requirements as may be prescribed by the PEZA Board

- Signing of the PEZA Registration Agreement for an IT Park or Building Covered by Presidential Proclamations
    - Detailed engineering and development plan and timetable
    - Other requirements as may be prescribed by the PEZA Board.

3.2 KEY FACTORS AFFECTING THE OFFICE PROPERTY MARKET

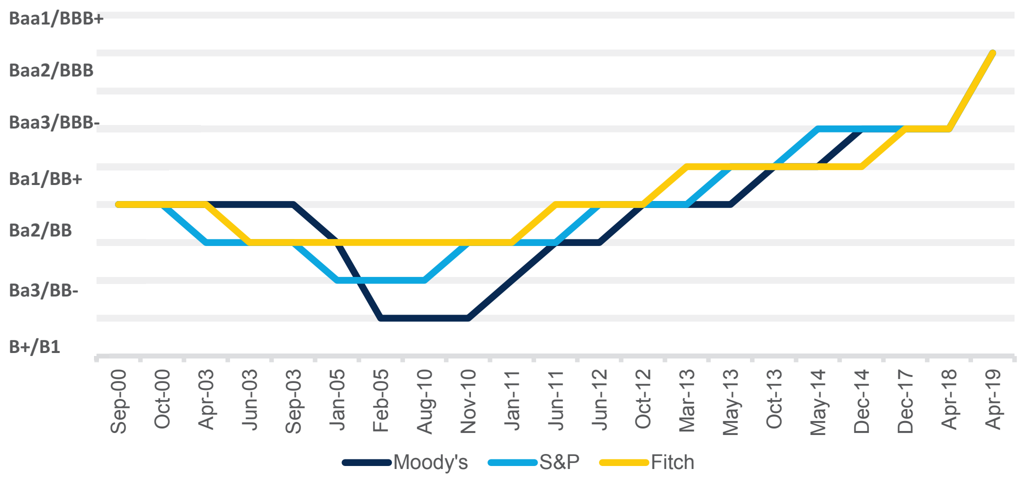
3.2.1 BUSINESS SENTIMENT AND INVESTOR CONFIDENCE

Latest data from the Bangko Sentral ng Pilipinas (BSP) showed that business sentiment remained optimistic in Q4 2019, rising to 40.2% from the 37.3% recorded in the third quarter of 2019. This more optimistic sentiment was attributed to higher consumer demand during the holiday and harvest seasons, more favorable macroeconomic conditions such as higher GDP growth, easing inflation and lower interest rates, higher government and infrastructure spending and the expansion of businesses. The country's hosting of the 2019 Southeast Asian Games (SEA) Games also led to a positive impact for some firms as this created more jobs and increase in consumer spending. According to BSP, the country mirrored the more buoyant business outlook of Brazil, Chile, Netherlands and Hungary. Meanwhile, countries such as Hong Kong, New Zealand, Singapore, South Korea, Thailand, Canada, China, Denmark, United Kingdom and the United States remained pessimistic on their business sentiments.



Source: BSP

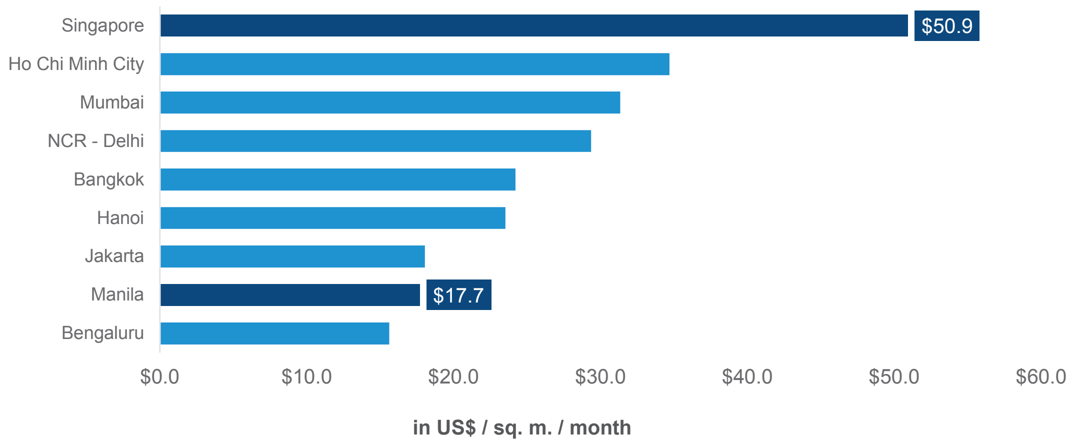
The Philippines garnered several rating upgrades since 2010, which has led to a more favorable climate for attracting investments in the country. Since 2014, the country has sustained its BBB rating in Standard & Poor's and Moody's. The country also experienced an upgrade in Fitch from BBB- to BBB in December 2017. As of Q4 2019, Moody's rated the Philippines a Baa2 due to sutained strong economic performance, strengthening fiscal position and limited vulnerability to external shocks, as mentioned during their credit opinion for the rating.



Source: S&P, Moody's, Fitch

3.2.2 PRIME RENTAL RATES IN ASIA

The Philippines still has one of the lowest rental rates of Prime and Grade A buildings in Asia, just ahead of Jakarta and Bengaluru at USD17.7 per sq.m. per month. The relatively low office rental rates against its Asian peers has attracted investors, multinational companies, traditional/non-outsourcing companies such as flexible workspace operators, insurance companies, government agencies and business process outsourcing (BPO) companies to establish offices and branches into the country. Singapore continues to lead office rental rates at USD50.9 per sq.m. per month followed by Ho Chi Minh and Mumbai at USD41.6 and USD35.1 per sq.m. per month respectively.

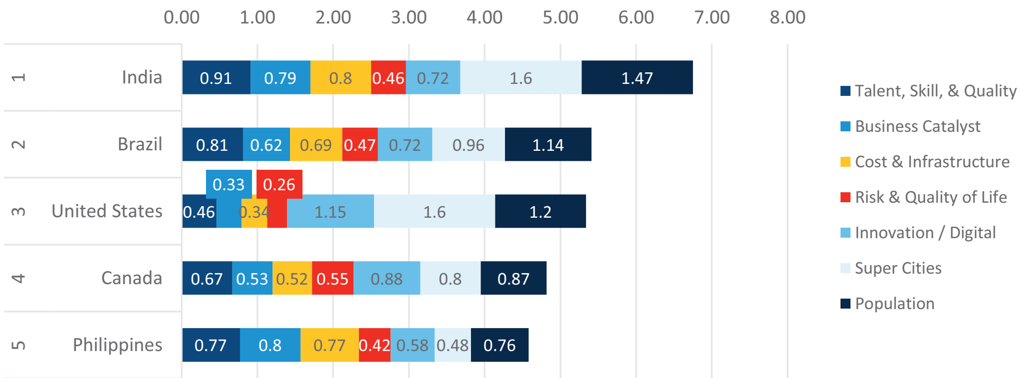


Source: Colliers International Research

3.2.3 PHILIPPINES' ENDURING ADVANTAGE FOR THE BPO INDUSTRY

The Philippines has been ranked as the 5th digital nation by Tholons Services Globalization Country Index with India maintaining as the topmost digital nation among all countries in 2019. Among seven factors considered, the country's top three metrics for making it to top five is the availability of Talent, Skill & Quality, Business Catalyst, Cost & Infrastructurcture, and Population.

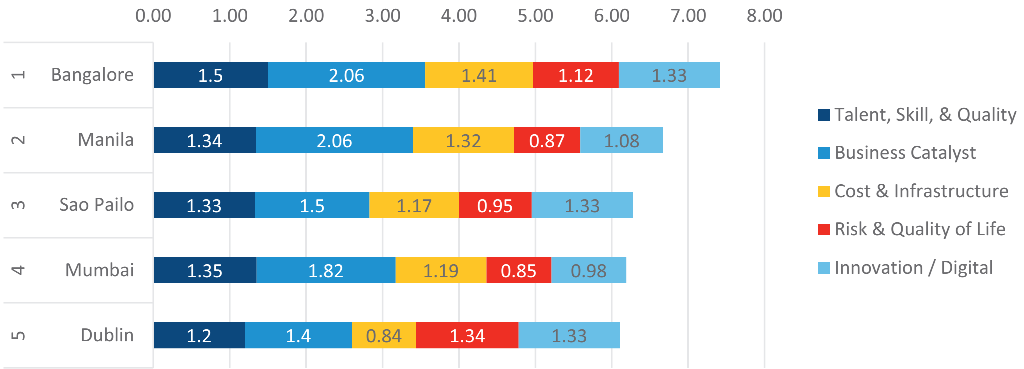
FIGURE 5: THOLONS SERVICES GLOBALIZATION: COUNTRY INDEX - 2019



Source: Tholons Services Globalization Index 2019

Based on the City Index, Manila maintains it's top 2nd rank followed and the City of Bangalore maintaining the top spot in 2019. Manila is followed by the cities of Sao Paulo, Mumbai, and Dublin. The top metrics for reaching the second spot for Manila were based on Talent, skill & quality, Business Catalyst, and Cost & Infrastructure.

FIGURE 6: THOLONS SERVICES GLOBALIZATION: CITY INDEX 2019



Source: Tholons Services Globalization Index 2019

While the Philippines remains as a top destination for outsourcing, it is still necessary for public and private organizations to collaborate to promote the following:

- Maintaining Talent, Skill & Quality level of Filipinos

  IT & Business Processing Association of the Philippines (IBPAP) recommends for continued programs centered around upskilling talents to meet higher-skilled outsourcing demand for talents from industries like software development, healthcare, animation and game development. This also includes promoting opportunities for learning for existing talent to develop their skills and prepare them for higher-skilled work.

- Maintaining Cost Competitiveness in the Global Marketplace

  Collaborative work between government investment bureau's and private companies in promoting the country as a preferred location for outsourcing which requires government support in creating effective policies that will attract foreign investors and strengthening public & private partnerships by meeting the office supply requirement to push the industry more.

- Improving the Quality of Cities and Quality of Life

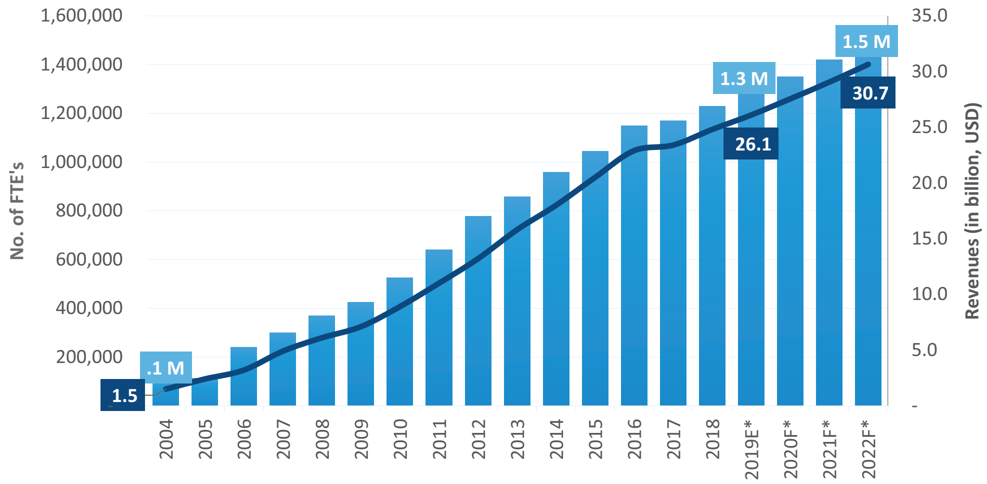
  Multinational companies that require higher-skilled services usually prioiritizes the well-being of their most important asset – the talented people that help their business grow. This explains why top-tier technology and finance companies prioritize office spaces within CBD's. The presence of well-designed buildngs, accessibility to retail, quality residential options, access to open spaces, walkable sidewalks and less likely to experience commuting are all factors that immediately affect the quality of life of people. Tech companies are resilient industries in the IT-BPM industry and just by looking at the locations of their HQ's where their most important talents are housed, their offices are located in cities that offer a higher quality of life. Manla's pocket CBD's are able to meet most of these metrics and this is a proven business model that are already being developed in other Metro Areas of the Philippines.

3.2.4 UPSKILLING OF THE BPO INDUSTRY

The Philippine IT-BPO sector grew at a rapid rate to post a compounded annual growth of 29.1% from 2006 to 2010. Also, BPO revenues increased seven times to reach USD11 billion in 2011 from USD1.5 billion registered in 2004. At the end of 2015, an estimated USD21.3 billion in revenue was generated by the sector based on the data from the Everest Group, the largest exporter of voice-driven BPO is the Philippines.

In 2016, about 1,100,000 full-time employees (FTEs) are currently engaged in the Off-shoring and Outsourcing Industry, a 10% increase from 2015. Meanwhile, revenues reached USD22.9 billion by end-2016, which is a 12% growth from USD21.3 billion in 2015. 62% of FTEs are employed in the voice-based BPO segment while 32% are in the non-voice IT sector, where Philippines ranked second to India. The latter is seen to continually drive the market in the long haul, geared towards the industry-specific services such as banking, health, care and media.

Figure 7: Historical and Projected Growth of the Philippine IT-BPM Market



Source: IBPAP, Colliers International Research

In 2018, the IBPAP reported that revenues reached a total of USD24.8 billion, a steady growth of 6% growth from 2017 but an exponential growth of 14% since 2010. The estimated revenue for end-2019 will reach USD26.1 billion which translates to an estimated direct employment of 1.29 million employees. The Off-shoring and Outsourcing (O&O) industry is expected to grow by 17% by year 2022 and with growth in employment of 16% from the 2019's estimated figures. This roughly translates to more than a million square meters demand from the business process outsourcing (BPO) industry.

Meanwhile, office space options are currently limited in Metro Manila mainly due to the strong demand coming from the expansion of existing traditional office tenants and the O&O industry and a competition of securing space from the Philippine Offshore Gaming Operator (POGO) locators. Metro Manila is expected to deliver at least a million of square meters annually between 2020-2022 to keep up with the demand from the growing demand.

Based on historical growth, the Philippine IT-BPM headcount is expected to grow by 3.0% – 7.0% with the highest growth expected from the Healthcare and Animation & Game Development outsourced services. On the same note, revenues are also expected to grow in the same industries by 3.5% to 7.5%.

Figure 8: Projected Growth Range of Headcount and Revenues for the Philippine IT-BPM Industry

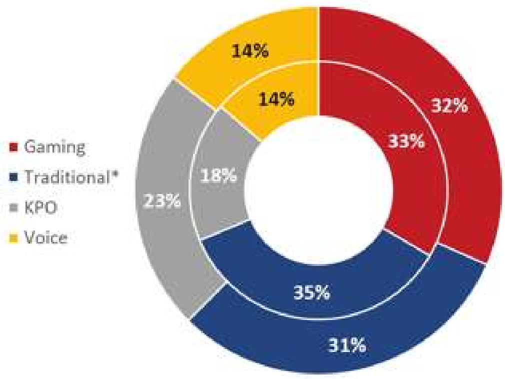
	Projected Headount Growth Range 2019 – 2022F
Contact Center & BP	2.8% - 6.7%
IT	2.7% - 6.2%
GIC	2.7% - 4.7%
Healthcare	6.8% – 10.2%
Animation & Game Devt.	6.8% - 11.7%
Overall IT-BPM	3.0% - 7.0%

	Projected Revenue Growth Range 2019 – 2022F
Contact Center & BP	3.3% - 7.4%
IT	3.2% - 6.7%
GIC	3.2% - 5.2%
Healthcare	7.3% - 10.8%
Animation & Game Devt.	7.3% - 12.3%
Overall IT-BPM	3.5% - 7.5%

Source: IBPAP

The Philippines is the leading offshore-nearshore location for healthcare services delivery and the segment is expected to steadily grow especially given the pandemic crisis that Covid-19 has brought across the globe. According to a Colliers International study released from Philidelphia, the Life Sciences sector is expected to experience a bump on the road in terms of growth, however, this is expected to recover as pharmaceutical companies race to find a vaccine for Covid-19. On another note, animation and game development are also expected to experience a growth compared to other outsourced services. Healthcare and Animation & Game Development requires higher skilled employees which shows a transition from being a BPO to a more KPO-based industry.

FIGURE 9: Q1 2020 VS Q1 2019 OFFICE TRANSACTIONS



Note: Inner Circle = Q1 2019; Outer Circle = Q1 2020,
**includes traditional firms, government agencies, and flexible workspace operators*
Source: Colliers International Research

Transactions from the Voice-BPO companies slightly decreased from 19% to 11% from 2018 to 2019 as traditional and KPO locators take-up more space. 47% of reocrded transactions in 2019 were mostly from the non-BPO/KPO sector while the remaining larger share is from the Gaming companies with a 33%

share. Most of the companies that affect the growing take-up from the non-BPO/KPO sector were mostly local traditional companies that are expanding consisting of government institutions and coworking spaces that cater to small start-up companies that hire freelance employees.

IBPAP and Tholons announced that due to the historical growth rates of the local BPO industry, the Philippines is expected to reach USD48.0 billion in O&O revenues by 2020, with employment doubling to around 2,600,000 employees by that time. Meanwhile, World Bank estimates that the BPO and related IT sectors will generate up to USD55.0 billion by 2020, which is approximately 11% of the country's GDP.

3.2.5 PHILIPPINE GAMING INDUSTRY

The Philippines continues to emerge in the global gaming market as revenue maintains its growth year on year. In 2017, the Philippine Gaming and Amusement Corporation (PAGCOR) reached gross gaming revenue of Php57.34 billion, a 7.6% increase from the previous year's Php53.3 billion. This can be attributed to the new income-sharing scheme with lessors, the entry of the Philippine Offshore Gaming Operators (POGO) and the improvement of relationship with China and other neighboring countries which helped in promoting the gaming industry of the country.

The gaming industry is regulated by PAGCOR which approves licenses and operates casino establishments. Currently, there are eight (8) PAGCOR operated casinos under the name Casino Filipino, with most concentrated in the Metro Manila and Luzon area. Typical games offered in these establishments are Baccarat, Black Jack, Roulette, Craps, Bingo, Big and Small, Pai-Gow, Stud Poker and Slot Machines.

Previously, these casinos were operated solely by PAGCOR in leased sites usually in hotels, with the building owner receiving rent and/or a percentage of revenues as compensation for the usage of the space. However, with the emergence of integrated resorts, PAGCOR has allowed companies to both own and operate their casinos through the issuances of licenses, with the agreement that PAGCOR is paid a licensing fee. These licensees have the financial capability to pursue large scale developments with substantial hotel and entertainment components that could be comparable to those found in Las Vegas and Macau, and thus would be able to draw tourists and high rollers from abroad.

However, in January 2018, President Duterte imposed a moratorium on new casino operations due to concerns on the rapid increase of casinos in the country. PAGCOR followed the moratorium and are currently processing applications that were submitted prior to the issuance of the president's orders. The gaming regulators have halted the acceptance of applications since January 13, 2018. Currently, there are five (5) upcoming casinos that will be located in the Manila Bay area, Cebu and Boracay that have issued applications before the moratorium. PAGCOR sees that the existing and upcoming casinos are enough at the moment to mature the market.

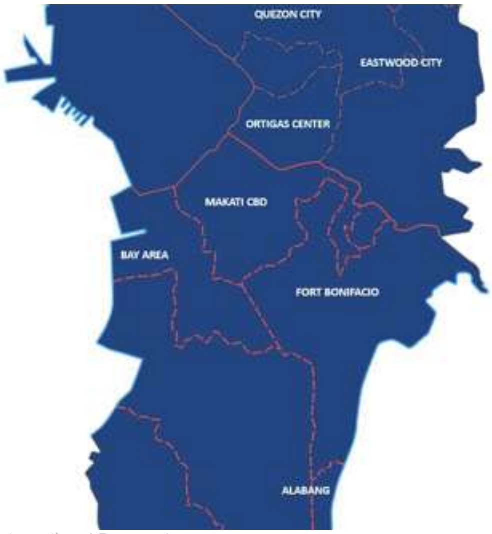
The Philippines also saw a new entrant in the gaming industry with the surge of online gaming. PAGCOR started providing licenses for Philippine and Offshore-based operators from any foreign country provided that Philippine-based gamers are not allowed to play. With the approval of PAGCOR, the subsector of the gaming industry was named Philippine Offshore Gaming Operators (POGO).

PAGCOR sees offshore gaming to be an income generator in the industry with the collection of license and royalty fees from POGO. Application and processing fees for POGO is at USD50,000 for e-casinos and USD40,000 for sports betting. Upon approval, USD200,000 and USD150,000 respectively will be collected from operators. In 2016, PAGCOR reportedly collected over USD19.97 million (Php1.0 billion) in licensing and processing fees.

There are 59 approved POGOs in the Philippines and five (5) accredited Gaming Laboratory of PAGCOR for Offshore Gaming Operators as of January 2020. With the surge of POGOs in the country, PAGCOR set a target revenue of Php33.billion for 2018, a 34.7% increase than the target revenue in 2017. For the first half of 2019, PAGCOR reported reached their Php23.84 Bn. target for the period and grew by 11.44% YoY. Most of the POGOs are located within the emerging CBDs such as the Manila Bay area and Alabang. They typically occupy office spaces from 10,000 up to 30,000 sq.m.

3.3 METRO MANILA OFFICE MARKET OVERVIEW

This office market overview covers the major business districts within Metro Manila, specifically the Makati CBD, Ortigas Center, Fort Bonifacio, Eastwood City and Alabang as well as upcoming CBDs such as the North EDSA-Quezon City Triangle area and the Pasay-Manila Bay Reclamation area.



Source: Colliers International Research

3.3.1 OFFICE CLASSIFICATION CRITERIA

Colliers International uses a broad guideline in determining the classification of an office building. While the guidelines are quite specific, the determination of the ultimate classification is also subjective and would require a judgment call. Thus, a building may not meet some criteria under the Premium grade but may still be classified as such. One example is ownership, since several Premium buildings in existence are under strata ownership by multiple owners. Due to changes in building design and features such as green building, these criteria are currently being updated and some may no longer be applicable in the future.

Criteria	Premium Grade	Grade A	Grade B
Site	Within CBD Core	Within the business district	Not on main or secondary avenues
	Quality access to/from main avenue	But not in the core area	Average accessibility
	Superior visibility from the main avenue	Good access to/from main avenue / secondary avenue	Average visibility
		Good visibility	
Building Size (Gross Floor Area)	Total floor area above 55,000 sq. m (gross floor area)	Total floor area above 40,000 sq. m (gross floor area)	Any size
Floor Plate & Layout	1,500 sq. m (gross floor area or above)	1,000 sq. m (gross floor area or above)	Less than 1,000 sq. m (gross floor area or above)
	Column-free	Largely Column-free	
General Finish	Landmark building	Good view/look	Easy access to high street

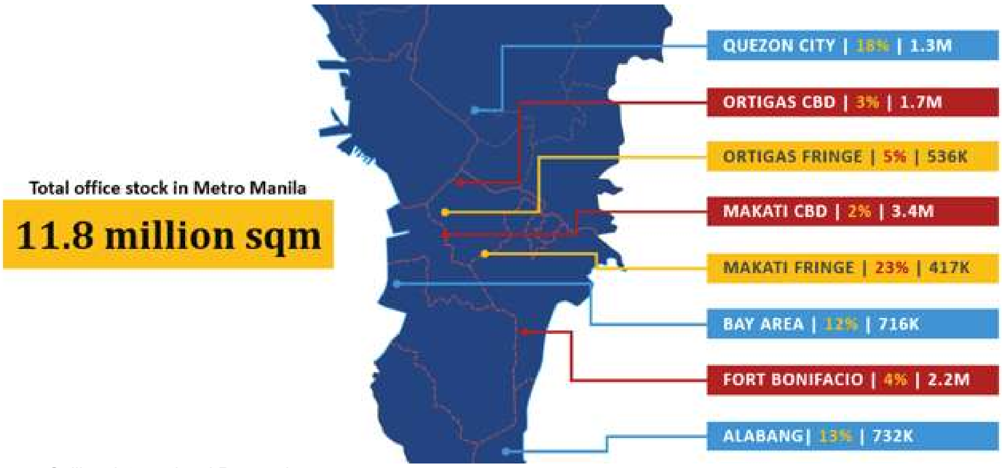
Criteria	Premium Grade	Grade A	Grade B
	Iconic structure	Direct access to high street	High quality presentation and maintenance
	Good view/look	High quality presentation and maintenance	
	Direct access to high street		
	Premium presentation and maintenance		
Exterior Finish	Energy efficient-solar reflective window glass	Energy efficient-solar reflective window glass	Average exterior finish
	Curtain wall system on four sides	Curtain wall system on two sides	No curtain wall system/concrete walls
	Superior building materials	High quality building materials	
Interior Finish	Massive two-level lobby with high ceiling	Good size lobby (2 level & below) with moderate ceiling height	Low ceiling lobby
	5 to 6-star quality	4-star quality; first class interior finishing of office and common areas	Average interior finishing
	Prestige interior finishing of office and common areas		
Rental and Capital Value	Pace or trend setter	Above average	Average
Efficiency (single floor tenant) Gross to Net useable	75% and over	Over 70%	Over 60%
Finished floor to ceiling clearance	2.7 meters or more	2.7 meters	2.5 meters
Construction Cost (excluding land cost)	US$ 1,000 per sq. m or more	US$ 800 or more	Below US$800
Ownership	Single ownership	Single ownership	Single ownership or strata titled investors
Technical Services			
Property Management	Reputable international firm	Reputable international or local firm	Average management firm or in-house team
Fire System	FAS	FAS	Average fire prevention system
	Sprinklers	Sprinklers	Limited availability of smoke detection and sprinkler systems
	Smoke detector	Smoke detector	
	Stairwell pressurization	Stairwell pressurization	
	Fire pumps with redundancy	Fire pumps with redundancy	
Building Intelligence	High quality building automation system	Building automation system	Manned security with monitoring system
	24-hr access with card keys	24-hr access with card keys	

Source: Colliers International Research

3.3.2 OVERALL METRO MANILA OFFICE STOCK

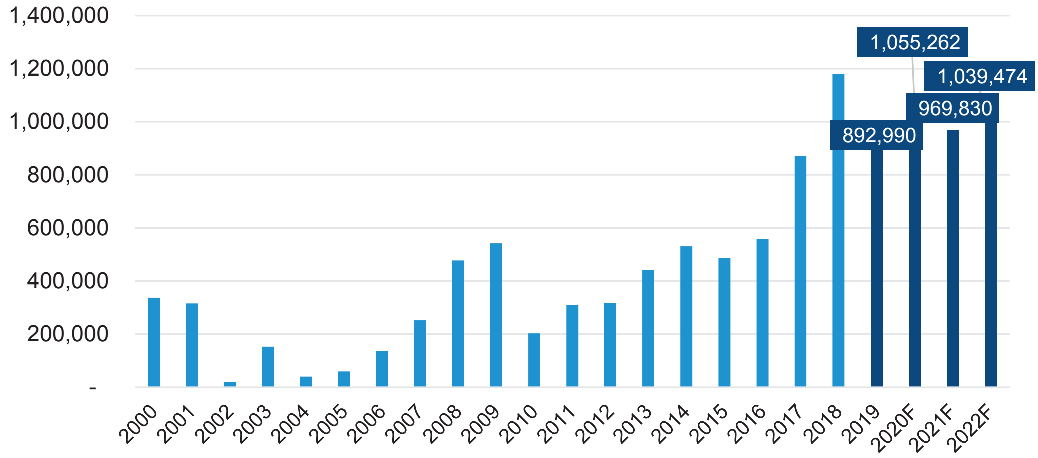
A total of 11.8 million sq.m. of leasable space were completed in Metro Manila in 2019. Makati CBD covers the largest share of office stock with 3.4 million sq.m. of office space or a 28% share of the market, followed by Fort Bonifacio with 2.2 million sq.m. or a little less than 20% share, and Ortigas Center dropping to third with 1.7 million sq.m. of office space.

Due to lack of developable space in Makati CBD and Fort Bonifacio, most of the additional supply for office space were seen in the Bay Area with 125K sq.m., Ortigas Center with 118K sq. m. and Quezon City having the largest new supply with 184K sq. m. in 2019.



Source: Colliers International Research
**Percentages refer to Y-o-Y Growth (2018 – 2019)*

The growth of supply for office space has been consistent with a YoY growth ranging from 5-10% from 2011 to 2016. Double-digit growth in supply was first seen in 2017 with the office supply growing by 10% from 8.9 million sq.m. of the total stock in 2016 to 9.8 million sq.m.. The total stock has continued to grow in double digits as it completed 1.2 million sq.m. of office space in 2018 and an additional 900,000 sq. m. in 2019.



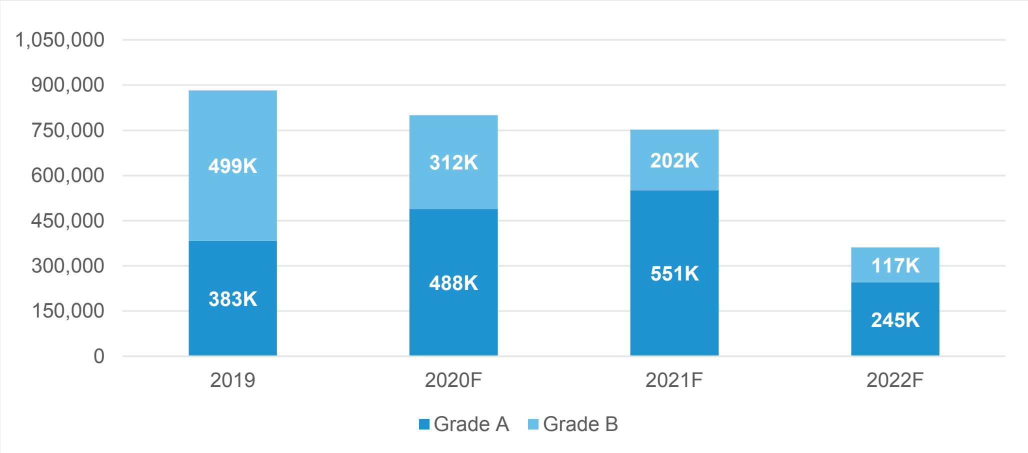
Source: Colliers International Research

Among the CBDs, the largest growth for supply of office space during the fourth quarter of 2019 was seen in the Makati Fringe area. Total leasable area increased by 23% from 319,955 sq.m. in 2018 to 417,663 sq.m. in 2019 with the completion of four new buildings. The Bay Area followed by as it grew by 16%, and Alabang and Quezon City increased its total supply by 13% each.

Makati CBD will remain to be the largest CBD in terms of stock and expected to deliver a total of 3.6 million sq.m. of office space by end-2022 while Fort Bonifacio is expected to have a total of 2.8 million sq.m.. on the same year. Due to a smaller base figure from end-2019 compared to the fully developed CBDs, the highest growth are anticipated in emerging CBDs such as the Bay Area and the Makati Fringe.

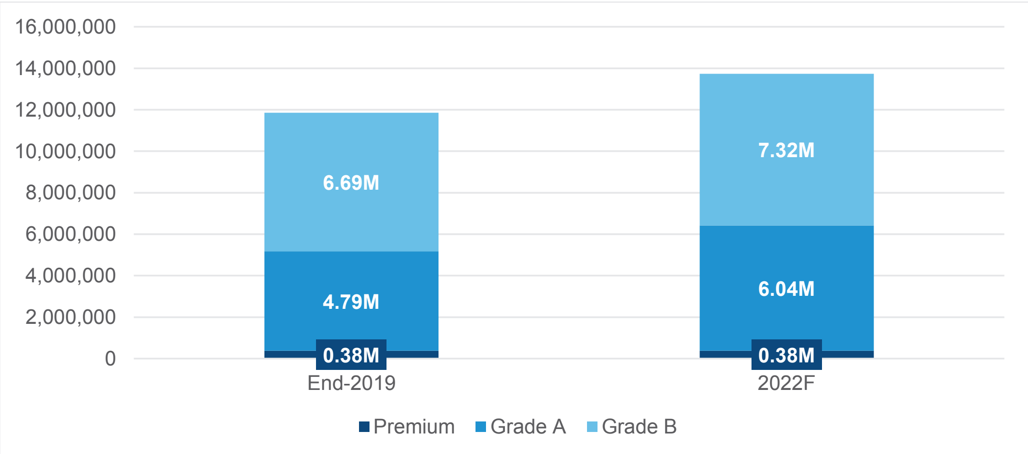
Location	END 2019	2020F	2021F	2022F	Total	% Change (2019 v 2022)
Makati CBD	3,352,946	76,489	117,254	25,000	3,571,689	6.5%
Makati Fringe	417,663	89,516	35,136	82,983	625,298	49.7%
Fort Bonifacio	2,231,435	294,219	89,104	151,150	2,765,908	24.0%
Ortigas Center	1,839,839	149,232	335,455	121,221	2,445,747	32.9%
Ortigas Fringe	535,760	89,007	-	-	624,767	16.6%
Bay Area	798,585	240,009	161,235	165,585	1,365,415	71.0%
Alabang	731,921	69,228	77,799	30,960	909,909	24.3%
Quezon City	1,432,559	67,886	35,200	213,187	1,748,832	22.1%
Other locations	523,406	1,215	108,004	229,138	861,763	64.6%
Total	**11,864,114**	**1,076,802**	**959,187**	**1,019,224**	**14,919,327**	**25.8%**

Source: Colliers International Research



Source: Colliers International Research
** Based on Leasable Areas*
Unclassified office buildings were excluded

In 2019, 56% of the buildings delivered is classified as Grade B offices, the remaining portion of the 882K new supply of leasable space is classified as Grade A. There were eight buildings with a total space of 177K sq. m. that were scheduled for completion in 2019 that was delayed to the first quarter of 2020. Due to these delays, between 2020 and 2021, the Grade A buildings will receive a bigger chunk of the expected supply and grow by almost a million sq. m. more just within this period.



Source: Colliers International Research
** Based on Leasable Areas*
Unclassified office buildings were excluded

From 2019 to 2021, Grade A offices will grow the most among the three (3) classifications which is at 21%, while the Grade B offices will rise by 9%. No Premium buildings are in the pipeline from 2019 to 2022 at the time of the study.

3.3.3 TOP DEVELOPERS

By the end of 2019, Ayala Land maintains its position as the top office developer in Metro Manila, overtaking Megaworld, who dominated the office market until the second Quarter of 2018. Out of the 13 million sq. m. of gross office space, 9.28% are developed by Ayala Land, Megaworld has a 7.28% share while Filinvest has a smaller share at 4.98%.

In 2022, Ayala will continue to have the largest share among the top developers, further increasing its market share to almost 11%. Megaworld will still have the second-largest share, with 8%. SM Investments will have the most significant jump in terms of ranking and office space, adding a little over 500,000 sq. m. to their inventory, rising to third, eclipsing the 948,000 sq. m. of Filinvest and 727,000 sq. m. of Robinsons Land, for a 6.8% share of the market.

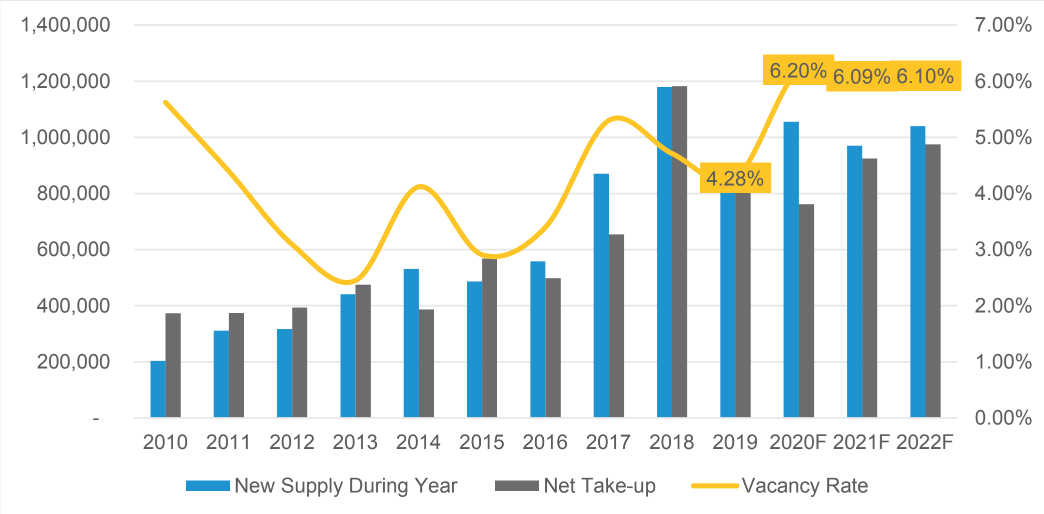
Developer	Total Supply as of End-2019 (GFA, in sq. m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq. m.)	Market Share (End-2022F)
Ayala Land	1,312,798	9.28%	1,734,690	10.67%
Megaworld	1,030,377	7.28%	1,304,187	8.02%
Filinvest	704,808	4.98%	948,392	5.83%
Robinsons Land	678,152	4.79%	727,645	4.47%
SM Investments	590,539	4.17%	1,105,730	6.80%
Araneta	316,400	2.24%	405,000	2.49%
NET Group	305,598	2.16%	305,598	1.88%
Others	9,207,860	65.09%	9,731,389	59.84%
Grand Total	**14,146,533**	**100.00%**	**16,262,631**	**100.00%**

Source: Colliers International Research

3.3.4 OVERALL SUPPLY AND DEMAND

In 2019, take-up dropped to an 8% growth as compared to the 2018 figures which was a record-high of a 12% growth. The decline are mostly due to the lower completions for the year with net take-ups following in-step with the supply. Vacancy was at 4.28% by end-2019, this showed that the new supply of 1.1 Mn. sq. m. of office space in 2018 and the 892,000 sq. m. in 2019 were absorbed by the office market. In

2020, at least a total of a million sq. m. are estimated to be completed which will slightly bump up the vacancy to 6.10% until 2022.



Source: Colliers International Research

The most significant chunk of the transactions during the year came from the Bay Area, holding 21% of the total recorded transactions, followed by an 18% share of the transactions in Quezon City and a 10% share, each for Makati CBD and Ortigas Center. At least 11% of the 1.4 million sq. m. of the recorded transactions are in Fort Bonifacio.

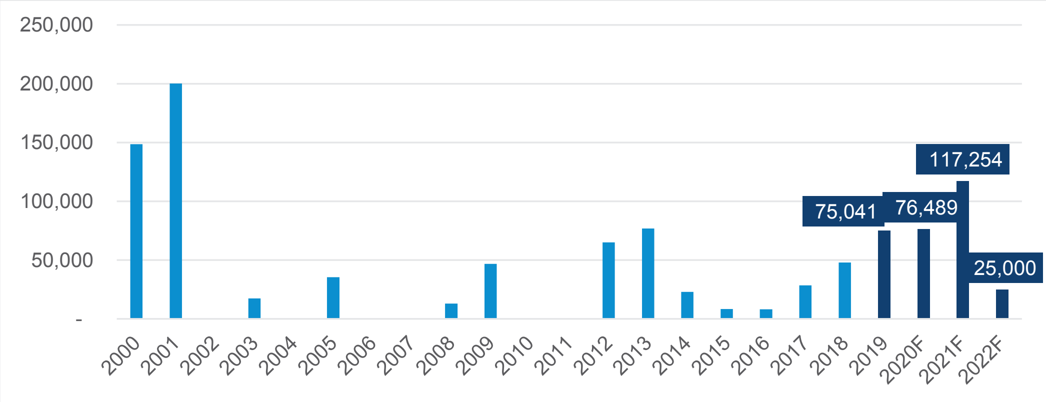
With a forecasted completion of around 3.5 million sq. m. of the gross leasable office space by 2022, the vacancy is expected to rise to around 6.10%, this is the same vacancy level in 2010. However, this is still considered a healthy vacancy rate. As companies continue to consolidate their offices, companies will have more choices from these new office buildings that provide higher quality developments. Companies who move for higher-quality office space will have an adequate choice, while developers and landlords will still have enough control with regards to rent.

4 OFFICE FOR LEASE MARKET RESEARCH

4.1 MAKATI CBD

4.1.1 MAKATI CBD SUPPLY AND DEMAND

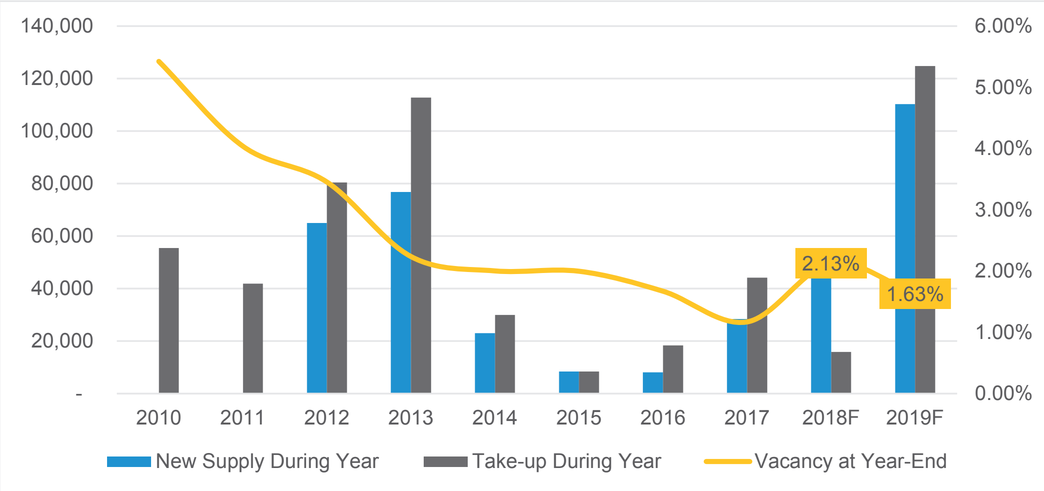
Makati CBD is among the CBDs that will experience the slowest growth in the next three years (2020F – 2022F) due to its built-up nature. The central business district has only been averaging around 29,000 sq.m. of additional office space since 2010. However, as developers take over under-utilized buildings and redeveloping them into newer office spaces, the average additional space per year beginning 2019 will rise to 97,000 sq.m. up to 2021.



Source: Colliers International Research

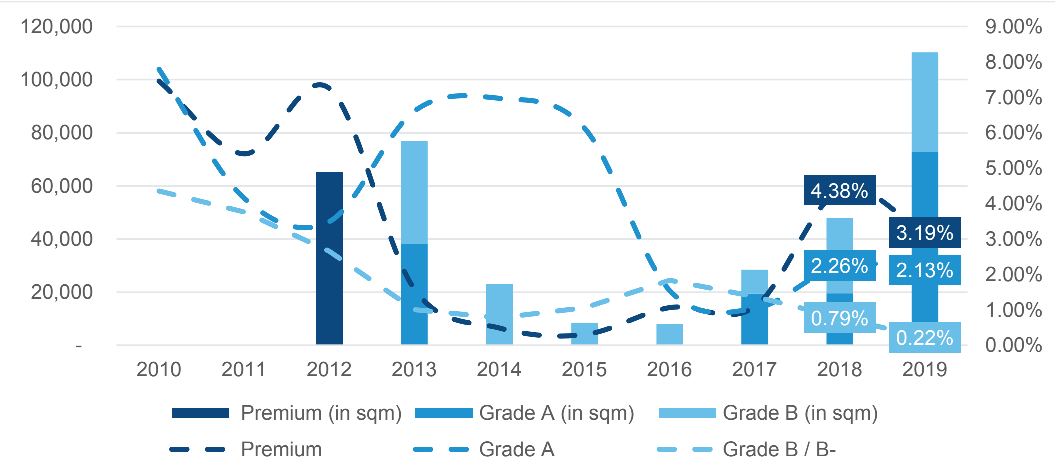
Makati CBD still remains to be one of the more preferred locations for office spaces, and it is evident with the continued low vacancy, even with additional stock coming in. In 2017, the vacancy rate is minimal at 1.17%, which increased marginally to 2.13% by the end of 2018, primarily due to the new stock that went online during the year. Vacancy further decreased to 1.63% in 2019 as newly completed office space was taken-up, including the spaces in NEX Tower, One Ayala Tower 1, Ayala Triangle Gardens, and the Salcedo Towers.

A total of five (5) buildings were completed in 2018, the biggest being the Ayala North Exchange HQ by Ayala Land, adding a total of 19,500 sq.m. of leasable space. Other completions include M1 Tower, Luz Building, Frabelle Salcedo, and Liberty Plaza. In 2019, a total of three (3) buildings were completed which includes the serviced apartments and BPO office components of Ayala North Exchange BPO Citygate, 223 Salcedo, and NEX Tower for a total of 75,000 sq. m.



Source: Colliers International Research

Since the completion of the Zuellig Building in the third quarter of 2012, adding 65,000 sq.m. of office space, no other Premium-grade building has been turned over in the Makati CBD. On the other hand, Grade B buildings have been churning out a steady stream of supply of around 21,000 sq. m. each year since 2013. Grade A building completions meanwhile are few and far between, adding units in 2013, 2017 to 2019.



Source: Colliers International Research

The vacancies of Grade B buildings remain at a minimum which recorded a vacancy rate of less than 1% by end-2019. Meanwhile, Grade A vacancies slightly decreased to 2.13% as the new supply of office spaces were pre-leased. Premium buildings recorded a vacancy rate of 3.19%. Vacancies in Tower One & Exchange Plaza were due to movements to the new PSE Tower in Fort Bonifacio, while UNDP moved from RCBC Plaza to Rockwell Sheridan Towers in Mandaluyong for cheaper rent.

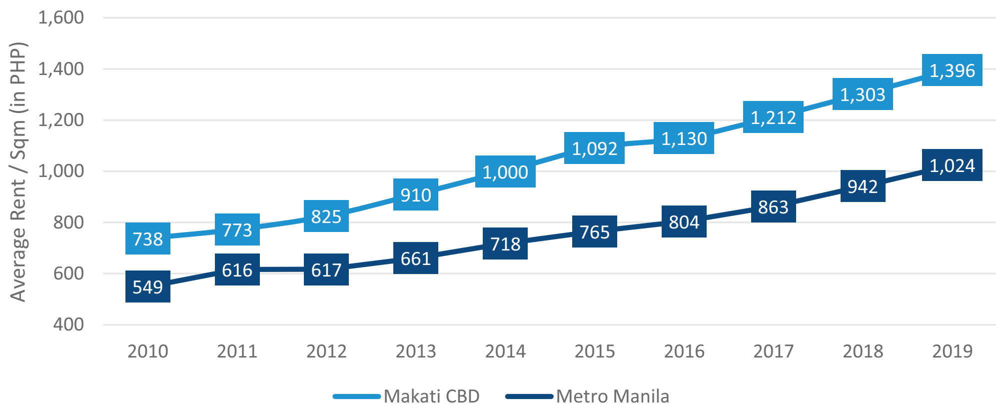
4.1.2 LEASE RATES

Building Grade	Headline		Transacted	
	Min.	Max	Min.	Max
Premium	1,300	1,950	1,200	1,860
Grade A	1,000	1,800	900	1,700
Grade B	600	1,500	500	1,500

Source: Colliers International Research

Premium buildings command the highest rates ranging from Php1,300 to Php1,950 per sq.m. for its headline rates. Transacted rates meanwhile range from Php1,200 to Php1,860 per sq.m.. Grade A headline rates are not far behind as it ranges from Php1,000 to Php1,800 per sq.m., while its transacted rates are around Php900 to Php1,700 per sq.m.

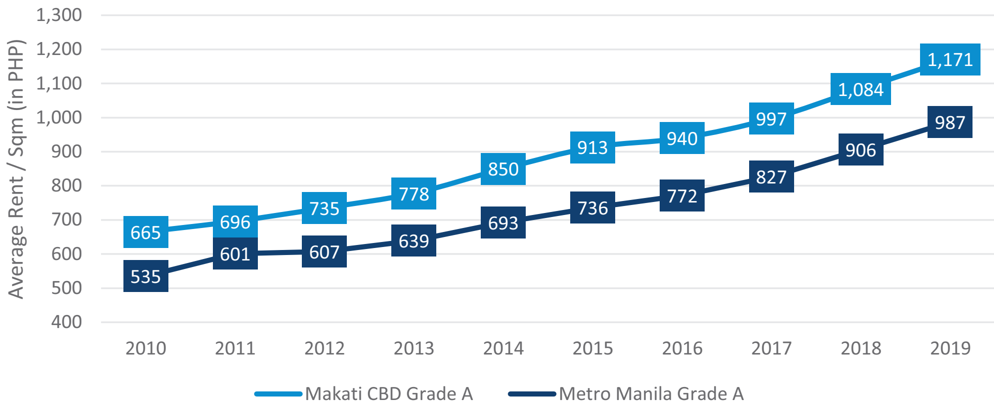
Figure 10: Historical Growth of Office Lease Rates in Makati CBD



Source: Colliers International

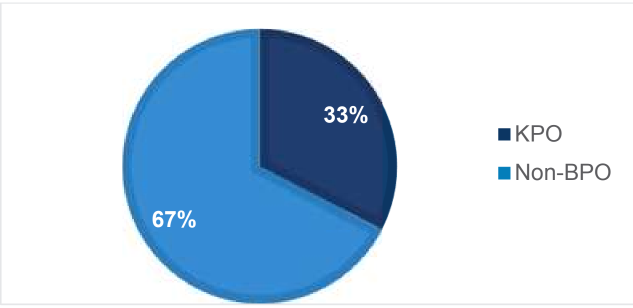
Based on historical trend, average lease rates in Makati CBD has a CAGR of 7.34% from Php738 per square meter in 2010 to Php1,396 as of end-2019. This is 36.3% higher than the average lease rate for office spaces in Metro Manila.

Figure 11: Historical Growth of Lease Rates for Grade A Buildings in Makati CBD



Based on historical trend, average lease rates for Grade A office spaces in Makati CBD has a CAGR of 6.5% from Php665 per square meter in 2010 to Php1,171 as of end-2019. This is 18.6% higher than the average lease rate for office spaces in Metro Manila.

4.1.3 2019 TRANSACTIONS



Source: Colliers International Research
** Based on size of transaction*

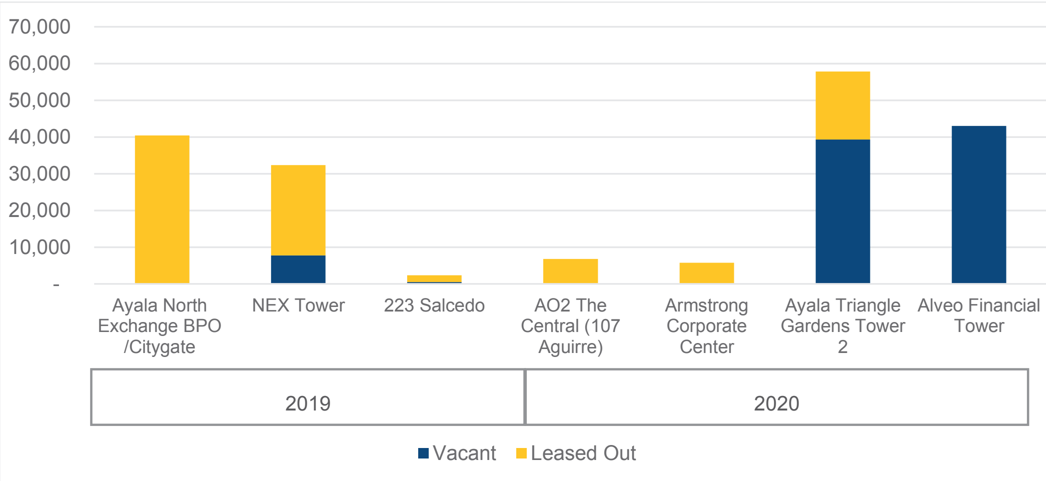
As the premier central business district, Makati CBD still attracts more non-BPO clients, accounting for 67% of the total transactions in 2019. KPO meanwhile makes up 33%. There were no gaming-related transactions recorded in Makati CBD in 2019. Tech industry-related businesses took up more space in 2019 with a 34% share, this is followed by Flexible Workspace with a 33% share.

Notable transactions in 2019 are Microsoft Philippines, taking up a total of 2,000 sq.m. in One Ayala Tower 1 and, The Executive Centre (a flexible/coworking space) taking up at least 3,700 sq. m. in Ayala Triangle Gardens and RCBC Plaza.

4.1.4 PRE-LEASING STATUS

Due to the limited new supply of office space in Makati CBD annually, pent-up demand is strong as of the fourth quarter of 2019. Among the buildings that were completed in 2019 were Ayala Land's North Exchange BPO Tower that is already at 100% occupancy and mostly taken up by BPO companies. 223 Salcedo, has 100% occupancy, while NEX Tower is already 76% leased and most of which were leased by traditional / non-BPO companies.

The buildings to be completed in 2020 are still largely vacant. It must be noted that Alveo Financial Tower was sold as a strata-titled office building, which means buyers may opt to use their unit instead of leasing it out. Until this tower is turned over, occupancy rates will be hard to determine.



Note: Based on signed Terms of Reference and Paid Reservation Fees
Source: Colliers International Research

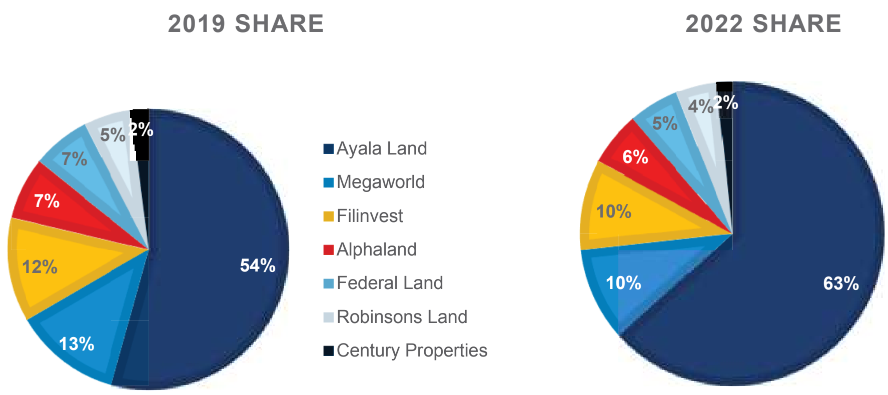
4.1.5 TOP DEVELOPERS

As the primary developer of the Makati CBD, Ayala Land controls the office market, delivering 406,403 sq. m. of gross office space by the end of 2019. This is equivalent to a total of a 55% share of the market, compared to other major developers, and 10.0% overall (including other developers). Far second in the ranking is Megaworld, which has almost 90,000 sq.m., or less than half of what Ayala Land has built. Filinvest comes in at third with an 11.8% share and Alphaland with a 7% share of the market. Rounding up the Top Five are Federal Land, with a 6.6% share of the market share. The rest of the office buildings in Makati CBD were built by smaller property developers.

Developer	Total Supply as of End-2019 (GFA, in sq. m.)	Market Share* (End-2019)	Total Supply as of End-2022F (GFA, in sq. m.)	Market Share* (End-2022F)
Ayala Land	406,403	55.1%	871,777	72.4%
Megaworld	89,851	12.2%	89,851	7.5%
Filinvest	86,836	11.8%	86,836	7.2%
Alphaland	52,006	7.0%	52,006	4.3%
Federal Land	48,858	6.6%	48,858	4.1%
Robinsons Land	39,000	5.3%	39,000	3.2%
Century Properties	15,000	2.0%	15,000	1.2%
Subtotal	**737,954**		**1,203,328**	
Others	***3,367,913***		***3,529,214***	
Grand Total	**4,105,868**	**100.00%**	**4,732,542**	**100.00%**

Source: Colliers International Research
*Note: * Market share computed from the top 7 developers in Makati CBD.*

By end-2022, Ayala will still dominate all other developers in Makati CBD, with an increased share of almost 17%*, increasing their total office space inventory in Makati CBD to 871,777 sq.m. (including the Alveo Land developments). No other big developer will have additional inventory during this time.



Source: Colliers International Research
** Based on Gross Floor Areas*
Note: Market share vs. major developers only

AYALA LAND CORNERS THE MAKATI CBD MARKET

Administer Prime Areas In Makati CBD.

Makati remains to be a prime address, and land values continue to increase given the dearth of developable land. As the biggest shareholder in Makati Commercial Estate Association (MACEA), Ayala Land is able to administer the prime areas in Makati CBD, namely the remaining lots along Ayala Avenue and Makati Avenue. This is in terms of land uses and zoning classifications. This is a big advantage given market conditions, not to mention that it helps them in phasing and launching new developments in the city.

Proven Track Record.

Working closely with MACEA, Ayala Land is able to continuously improve their already proven track record. This is not only in terms of project developments, but also in terms of uplifting the community with their collaborative activities that give people something to look forward to. To name a few are weekend markets, redeveloped pocket parks and walkways, free street fitness activities, Makati Street Meets that has music & food & retail shops, a new transportation hub in its upcoming project across Glorietta, and so on.

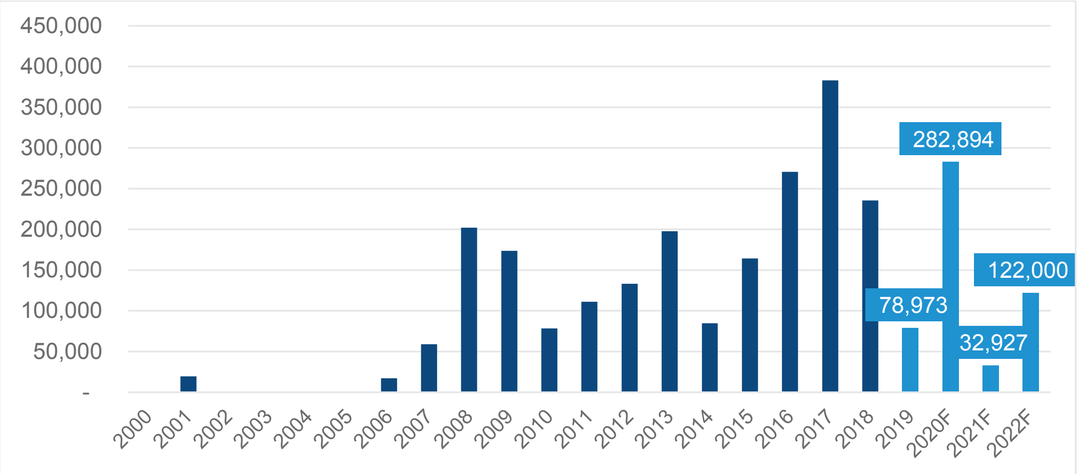
Top Office Developer In Metro Manila.

As of 2019, Ayala Land currently has the biggest supply of office space in Metro Manila with roughly 930,000 sqm of leasable office space. Based on upcoming offices in the pipeline, ALI will remain as the market leader until 2024 as it targets a total of 1.2 million sqm of leasable office space.

4.2 FORT BONIFACIO

4.2.1 FORT BONIFACIO SUPPLY AND DEMAND

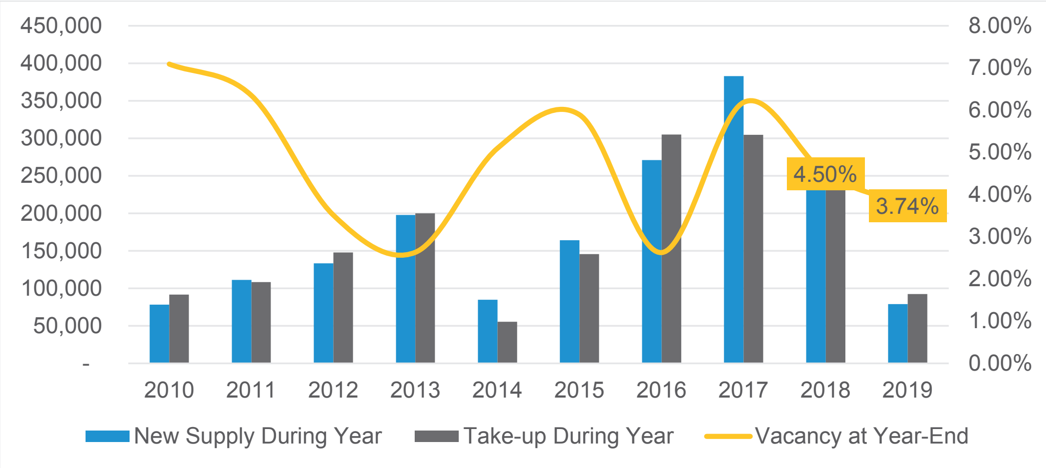
Since there is more developable land in Fort Bonifacio, unlike its peer on the other side of EDSA, this CBD has consistently added new office space to its stock every year since 2006. The annual average new supply in Fort Bonifacio is at 160,000 sq.m. or around seven (7) buildings each year. This was expected from Fort Bonifacio as an alternative central business district to Makati CBD.



Source: Colliers International Research

In 2017, Fort Bonifacio overtook Ortigas CBD in terms of office stock, having a total of 1.9 million sq.m. of leasable office space, compared to only 1.6 million in the Ortigas CBD. This was also the year when the Fort Bonifacio breached the 350,000 sq.m.-mark, recording the largest amount of office space that was turned over at 380,000 sq.m. in 13 buildings.

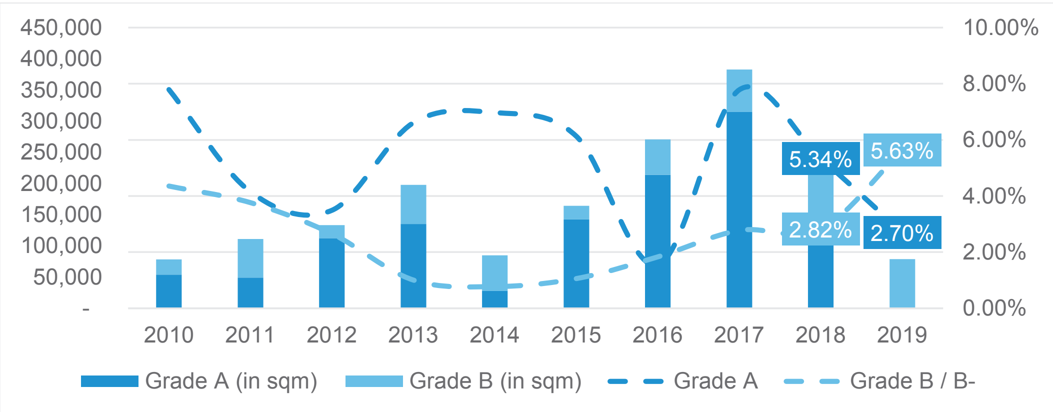
Between the years 2019 and 2022, however, a slowdown will be expected with only 10 more buildings in the pipeline. It should be noted that while the growth is slower compared to its historical growth, it is still significantly faster than the growth experienced by other business districts in Metro Manila. Fort Bonifacio grew by an average of 20% each year in the past twenty years, for office developments, this is expected to slow down to a 5% growth each year from 2019-2022. This is a positive result of the rapid development in Fort Bonifacio and the continued strong demand for office spaces in this business district.



Source: Colliers International Research

Vacancy levels in Fort Bonifacio increased significantly during the 2016-2017 period, registering a 3.6% increase from the previous 2.63% vacancy. Take-up levels were in the 300,000 sq.m. mark, same with 2016, but the overhang from the previous year plus new supply contributed greatly to the increase in vacancy in 2017. Continuous strong demand and a smaller number of additional stock in 2018 meanwhile caused vacancy to dip to 4.5% by year-end and 3.74% by end-2019.

Grade A vacancies as of end-2019 are at 2.7%, an improvement from the 5.34% vacancy in 2018. Grade B offices meanwhile increased its vacancy from 2.82% to 5.63% with the completion of more than 70,000 sq. m. of office space at the end-2019. No new additional supply of Grade A spaces was supplied in 2019.



Source: Colliers International Research

4.2.2 LEASE RATES

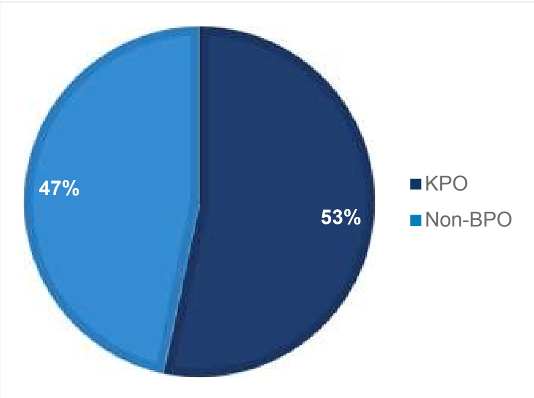
Lease rates for Grade A and B buildings have very little disparity, with the Grade A buildings' lease rates ranging from Php1,000 to Php2,000 per sq.m. for their headline rates, while Grade B's are from Php1,000 to Php1,800. Buildings such as RCBC Bank Corporation and One World Place by Daiichi Properties are those offering the most expensive lease rates, at Php2,000 for their headline rates.

Building Grade	Headline		Transacted	
	Min.	Max	Min.	Max
Grade A	1,000	2,000	850	1,500
Grade B	1,000	1,800	740	1,450

Source: Colliers International Research

4.2.3 2019 TRANSACTIONS

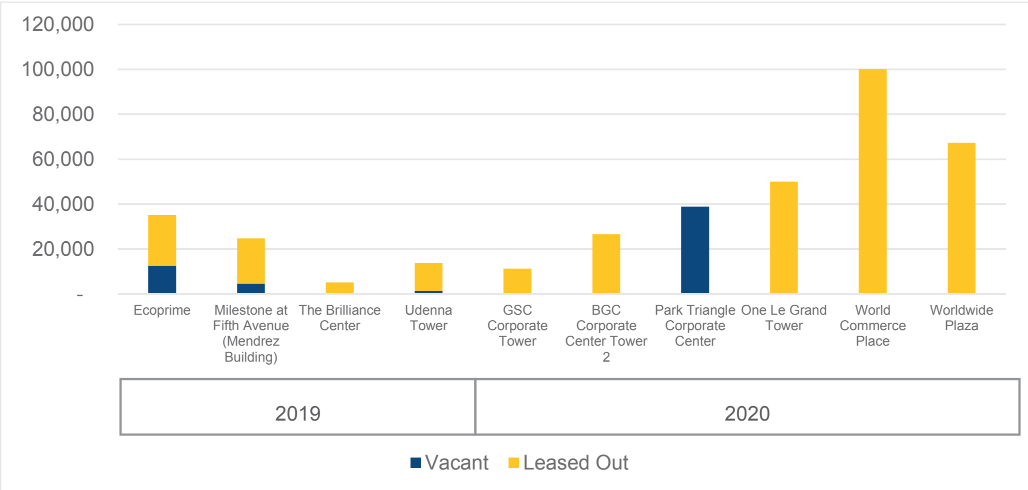
KPOs accounted for the bulk (53%) of the total transaction in Fort Bonifacio in 2019, followed by the 47% traditional / non-BPO tenants. No gaming companies have been able to penetrate this CBD, except one (1) in McKinley, as the City of Taguig is one of the cities that do not give Letters of No Objection (LONO) for POGO licensees. Tech-related KPO companies took up 46% of the transactions for the year and then followed by flexible spaces with a 16% share.



Source: Colliers International Research
** Based on size of transaction*

JP Morgan (JPM) is one of the most notable transactions in 2018 in Fort Bonifacio, taking up a build-to-suit building by Megaworld to be completed in the fourth quarter of 2022. Please note, however, that this relocation happened before NET Building secured a pre-commitment from another tenant. Shopee also took up 11,100 sq.m. of space from the Asian Century Center and Net Park. Google also leased out two (2) more spaces, amounting to 9,500 sq.m., and Figari, occupying 8,000 sq.m. from The Curve. In 2019, some of the notable transactions included the expansion of Cognizant Technology Solutions with at least 4,000 sq. m. in McKinley Hill, Tenet Health with 148,00 sqm in second quarter, Shearwater Health with 6,000 sq. m., WeWork with 2,200 sq. m., Huawei with 4,300 sq. m. during the third quarter and American Express with 26,600 during the fourth quarter. Given these transactions, the industries that took up space in Fort Bonifacio are mostly non-BPO businesses that are into Tech, Finance, and Health.

4.2.4 PRE-LEASING STATUS



Note: Based on signed Terms of Reference and Paid Reservation Fees
Source: Colliers International Research

Buildings to be completed in 2019 are currently 76% occupied, with Udenna Tower already 90% occupied, all by traditional / non-BPO companies. Ecoprime, meanwhile, has mostly Voice and KPO companies taking up their space, and currently, 64% occupied. The Brilliance Center, by NAPPCO, is already 100% occupied while Milestone at Fifth Avenue (Mendrez Building), is 81% occupied. 2020 buildings for completion, on the other hand, are already 100% leased out.

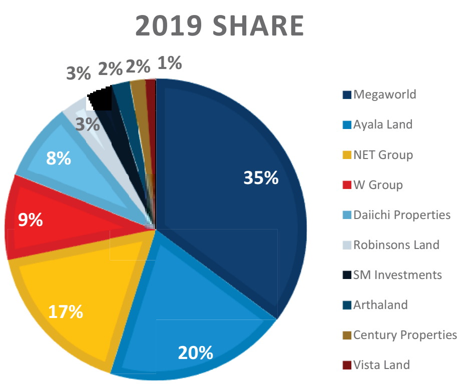
4.2.5 TOP DEVELOPERS

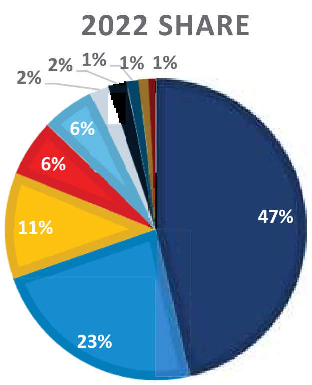
As of the end-2019, Megaworld tops all developers in Fort Bonifacio, accounting for 35.2% supply in the CBD, as compared to the major developers. Ayala Land ranks second, having a total inventory of 355,497 sq. m. The NET Group, while selling some of their NET Buildings to SM Investments, is still one of the top office developers, with a total market share of 16.9%, or 305,598 sq. m. of gross floor area.

Developer	Total Supply as of End-2019 (GFA, in sq. m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq. m.)	Market Share (End-2022F)
Megaworld	634,751	35.2%	1,266,801	46.8%
Ayala Land	355,497	19.7%	626,561	23.1%
NET Group	305,598	16.9%	305,598	11.3%
W Group	165,186	9.2%	165,186	6.1%
Daiichi Properties	152,547	8.5%	152,547	5.6%
Robinsons Land	55,478	3.1%	55,478	2.0%
SM Investments	52,519	2.9%	52,519	1.9%
Arthaland	34,292	1.9%	34,292	1.3%
Century Properties	29,503	1.6%	29,503	1.1%
Vista Land	19,810	1.1%	19,810	0.7%
Subtotal	**1,805,181**		**2,708,295**	
Others	**811,285**		**811,286**	
Grand Total	**2,616,466**	**100.0%**	**3,519,581**	**100.0%**

Source: Colliers International Research

By the end of 2022, Megaworld will remain as the top developer in Fort Bonifacio, increasing their stock to 1.2 million sq. m., accounting for a little less than 50% of the total stock, still followed by Ayala Land, who will increase their share to 23.1% from 19.7% in 2019. Only these two (2) developers have prominent additions to the total stock, while the rest of the developers retained their inventories at the same level.

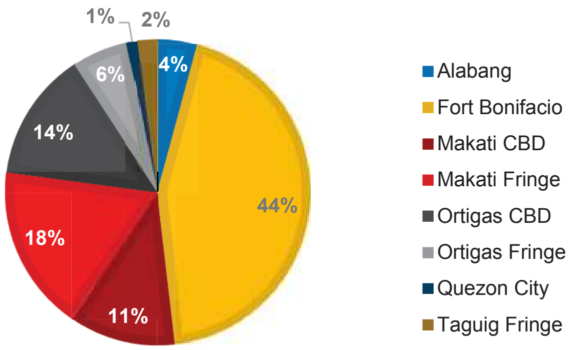




5 OFFICE FOR SALE MARKET RESEARCH

5.1 STOCK

A total of 565,000 sq. m. of office space were put in the market for sale as of the fourth quarter of 2019. Fort Bonifacio, one of the newer CBDs, is the most predominant area, with 44% of the total office space sold being located in the area. This was followed by the Makati Fringe area and Ortigas CBD, having 18% and 14%, respectively.



Source: Colliers International Research
** Based on Leasable Areas*

Out of 21 buildings that were released in the market, 11 buildings are in the Makati CBD and Fort Bonifacio. Below is a list of the buildings and the office space floated in the market.

Buildings / Location	Total Office Space (in sq. m.)	Grade
Makati CBD	**63,423**	
Alveo Financial Tower	41,707	A
The Gentry Corporate Plaza	21,716	A
Fort Bonifacio	**249,505**	
Alveo Park Triangle Tower	29,917	A
Capital House	25,228	B
High Street South Corporate Plaza Tower 1	38,967	A
High Street South Corporate Plaza Tower 2	48,951	A
One Global Place	6,776	A
One Park Drive	20,665	B
One World Place	22,740	A
Park Triangle Corporate Plaza North Tower	40,912	A

Buildings / Location	Total Office Space (in sq. m.)	Grade
The Finance Center	15,349	A
	319,928	

Source: Colliers International Research

The Gentry Corporate Plaze by Alveo Land is the newest among the buildings in the study area, launched in May of 2017. It is slightly smaller than its predecesor, Alveo Financial Tower, with a total saleable area of around 22,000 sq.m..

5.2 UNIT BREAKDOWN

Average leasable floor plate of the sold buildings is around 1,500 sq.m., with One World Place by Daiichi Properties and one of the first buildings that sold strata-titled offices, having the smallest average at a little over 1,000 sq.m.. On the other hand, High Street South Corporate Plaza Tower 1 by Alveo Land, has the largest average of almost 1,800 sq.m.. Consequently, it also has the most office space floated in the market; almost 50,000 sq.m..

Buildings / Location	Total Office Space (in sq. m.)	Average Leasable Floor Plate (in sq. m.)	Ave. Unit Cut (in sq. m.)
Makati CBD	**63,423**	**1,398**	**98**
Alveo Financial Tower	41,707	1,129	115
The Gentry Corporate Plaza	21,716	1,666	80
Fort Bonifacio	**249,505**	**1,472**	**142**
Alveo Park Triangle Tower	29,917	1,511	100
Capital House	25,228	1,328	62
High Street South Corporate Plaza Tower 1	38,967	1,767	95
High Street South Corporate Plaza Tower 2	48,951	1,632	95
One Global Place	6,776	1,027	315
One Park Drive	20,665	1,590	65
One World Place	22,740	1,034	170
Park Triangle Corporate Plaza North Tower	40,912	1,705	120
The Finance Center	15,349	1,650	260
Total	***312,928***	***1,458***	***134***

Source: Colliers International Research
** Based on Net Leasable Areas*

Average unit cuts range from 62 sq.m. to as much as 315 sq.m., with options to buy whole floors for some offices. Fort Bonifacio buildings have a wider array of unit cuts as compared to Makati CBD, with some units in Fort Bonifacio having cuts of more than 300 sq.m..

Buildings / Location	Less than 50 sq.m.	51 - 100 sq.m.	101 - 150 sq.m.	151 - 200 sq.m.	201 - 250 sq.m.	251 - 300 sq.m.	More than 300 sq.m.
Makati CBD	**0%**	**20%**	**73%**	**4%**	**4%**	**0%**	**0%**
Alveo Financial Tower			100%				
The Gentry Corporate Plaza		63%	13%	12%	12%		
Fort Bonifacio	**0%**	**41%**	**31%**	**19%**	**2%**	**6%**	**1%**
Alveo Park Triangle Tower		13.9%	75.5%	10.0%	0.3%		0.3%
Capital House		16%	12%	72%			
High Street South Corporate Plaza Tower 1		62%	6%	22%		9%	
High Street South Corporate Plaza Tower 2		52%	11%	33%	3%		
One Park Drive		65%	35%				
One World Place			17%	17%	26%	26%	14%
Park Triangle Corporate Plaza North Tower		45%	24%	21%		9%	
The Finance Center			26%			65%	9%
Total	***0%***	***36%***	***41%***	***15%***	***3%***	***4%***	***1%***

Source: Colliers International Research
** Based on Number of Units per cut range*

Overall, the 101-150 sq.m. unit cut is the most predominant unit cut in all buildings that sold office units, followed by the 51-100 sq.m. unit cut. Spaces larger than 200 sq.m. constitute only 6% of the market, and are usually found in buildings developed and sold by Daiichi Properties.

5.3 TAKE-UP RATES

As of the fourth quarter of 2019, all office spaces that were floated in the market are completely sold out, indicating strong demand for the office market. Anecdotal data suggest that most of the buyers are investors diversifying their portfolio of investments, and are repeat buyers of the same brand. A smaller portion of those who bought units will actually end up using it as their offices.

Buildings / Location	2014	2015	2016	2018	2019
Makati CBD		**63%**	**97%**	**100%**	**100%**
Alveo Financial Tower		63%	97%	100%	100%
The Gentry Corporate Plaza				100%	100%
Fort Bonifacio	**80%**	**97%**	**98%**	**100%**	**100%**
Alveo Park Triangle Tower			94%	100%	100%
Capital House	26%	86%	96%	100%	100%
High Street South Corporate Plaza Tower 1	100%	100%	100%	100%	100%
High Street South Corporate Plaza Tower 2	100%	100%	100%	100%	100%
One Global Place				100%	100%

Buildings / Location	2014	2015	2016	2018	2019
One Park Drive	78%	94%	100%	100%	100%
One World Place	100%	100%	100%	100%	100%
Park Triangle Corporate Plaza North Tower	79%	100%	97%	100%	100%
The Finance Center				100%	100%
Total	***80%***	***92%***	***98%***	***100%***	***100%***

Source: Colliers International Research

5.4 SELLING PRICE AND TERMS

The latest selling price of office units on a per sq.m. basis is at Php182,000, amounting to Php27 million for a 134 sq. m. unit. The most expensive is The Gentry Corporate Plaza, which is the the newest building launched among the buildings covered. High Street Corporate Plaza Towers 1 and 2, and One World Place, on the other hand are the cheapest, and also the oldest of the sample population. Since the buildings in Fort Bonifacio are already sold out, the most recent indication of current selling price is Arthaland's Savvy Financial Center located in Arca South and selling at an average of Php237,892 per sq. m. or Php36 million per unit.

Buildings / Location	Total Office Space (in sq.m.)*	Ave. P/Sq.m. (in ₱)	Ave. TCP (in ₱)	Ave. Unit Cut (in sq.m.)	No. of Mos. Actively Selling**
Makati CBD	**63,423**	**254,950**	**23,330,805**	**98**	
Alveo Financial Tower	41,707	225,507	23,910,169	115	21
The Gentry Corporate Plaza	21,716	284,393	22,751,440	80	n.a.
Fort Bonifacio	**249,505**	**166,054**	**27,901,623**	**142**	
Alveo Park Triangle Tower	29,917	202,662	27,918,229	100	42
Capital House	25,228	154,370	15,243,512	62	36
High Street South Corporate Plaza Tower 1	38,967	133,926	24,854,386	95	3
High Street South Corporate Plaza Tower 2	48,951	133,926	15,283,496	95	15
One Global Place	6,776	178,915	56,400,000	315	n.a.
One Park Drive	20,665	156,855	14,362,503	65	33
One World Place	22,740	135,528	23,456,344	170	39
Park Triangle Corporate Plaza North Tower	40,912	210,800	24,796,136	120	24
The Finance Center	15,349	187,500	48,800,000	260	n.a.
Total	***312,928***	***182,217***	***27,070,565***	***134***	

Source: Colliers International Research
** Based on Leasable Areas*
***No.of months actively selling before reaching 100% sold*

Payment terms for offices for sale are not as flexible as residential condominium units are. Downpayment are usually paid in a month's time and the balance is spread at a maximum of ten (10) years. Cash discounts meanwhile ranges around 7-8%.

Building	Reservation Fee	DP	Term	Balance	Term	Cash Discount
Makati CBD	***200,000***	***10%***	***1***	***90%***	***48***	***7%***
Alveo Financial Tower	200,000	10%	1	90%	48	7%
The Gentry Corporate Plaza	200,000	10%	1	90%	60	8%
Fort Bonifacio	***100,000***	***30%***	***1***	***70%***	***48***	***8%***
High Street South Corporate Plaza Tower 1	100,000	30%	1	70%	48	8%
High Street South Corporate Plaza Tower 2	100,000	30%	1	70%	48	8%
One Park Drive	100,000	20%	24	80%	1	0%
One World Place	500,000	15%	1	85%	18	0%
Park Triangle Corporate Plaza North Tower	100,000	30%	1	70%	48	7%
Capital House	100,000	20%	24	80%	1	0%
Alveo Park Triangle Tower	200,000	10%	1	90%	56	8%

Source: Colliers International Research

Capitalization rates in 2019 for office buildings in Makati CBD typically range around 7-9%, with the most recent transaction in 2014-2015 was at 5%. Properties with better rental performance and higher cash flows may achieve rates as low as 5% and a high of 10% to 11%.

5.5 TOP DEVELOPERS

Ayala Land (Alveo Land and Avida Land) is the top developer of office spaces for sale, having floated and sold around 344,000 sq.m. of space. This accounts to 61% of the market already. Amberland Corporation comes in at second, with it's single tower development in Ortigas Center. Daiichi Properties is at third, selling three (3) towers, all in Fort Bonifacio. Century Properties, Ortigas & Co., Filinvest and Polar Mine, are the only other developers with inventories floated as of Q4 2019.

	As of Q4 2019	Market Share
Ayala Land	343,726	60.8%
Amberland Corporation	77,751	13.7%
Daiichi Properties	44,865	7.9%
Century Properties	35,882	6.3%
Ortigas & Co.	33,345	5.9%
Filinvest	28,401	5.0%
Polar Mine	1,518	0.3%

Source: Colliers International Research
** Based on Leasable Areas*

In Makati CBD, only Ayala Land, Alveo Land to be exact, is the only developer as of Q4 2019, who sold office spaces. The 63,423 sq.m. are found in two (2) buildings: Alveo Financial Tower and The Gentry Corporate Plaza.

Meanwhile in Fort Bonifacio, they are joined by Daiichi Properties, which has three (3) buildings: One World Place, One Global Center, and The Finance Tower.

Developers	Total Office Space (in sq. m.)
Makati CBD	**63,423**
Ayala Land	63,423
Fort Bonifacio	**249,505**
Ayala Land	204,640
Daiichi Properties	44,865

Source: Colliers International Research
** Based on Leasable Areas*

6 OFFICE PROPERTY MARKET OUTLOOK

6.1 KEY SUCCESS FACTORS

Offer flexible floorplates to cater to both BPO and Traditional Tenants

While the BPO and outsourcing market continues to drive strong demand for office spaces in the CBDs, it is vital for the developers to offer flexibility in terms of unit cuts, as the market is now shifting to a more diversified tenancy. KPOs, traditional and multinational companies, as well as government offices, now add significant numbers in the office space transactions, unlike previous years where the BPO market constitutes 60-75% of all office space demand. Offering flexible floorplates broadens the target market office buildings, making it easier to sell / lease out.

Accessibility

Makati CBD is one of the more preferred, if not the most, CBD location in Metro Manila, not only because it is one of the oldest CBDs and has already established itself as the premier CBD of the country, but also because of it's accessbility. There are different ways of going and out of the CBD, and while it is not shielded from everyday traffic, there are alternative routes and transportation options for the locators. Fort Bonifacio should look at ways of easing movement in and around the CBD, to make it more conducive for its office locators. Some tenants have already expressed accessibility as a major concern in their expansion and relocation plans.

Quality of finishes and Handover Condition

Because of the tough competition in the market, developers should focus on handing over office spaces that are more than just square slabs. Many tenants and locators expect warm shells as a minimum hand over condition, and a plus if the cement flooring is already smooth and ready for carpeting. Other developers already include fully functional ceilings, complete with fire detectors, fire sprinklers, T-runners, acoustic boards, lights and A/C system. This handover condition makes it less costly for a tenant to fit-out, and see the space as value for money, compared to those which offer only bare shell and rough flooring.

6.2 KEY TRENDS IN THE MARKET

Expansion of flexible office spaces by a young and dynamic workforce

Currently, an estimated 350,000 sq m of office space was occupied by flexible office space operators in Metro Manila. The tenants of such office spaces are varied, from start-ups, to law firms, Fortune 500 companies and freelancers. As mobility, connectivity and flexibility will characterize the work environment in the near future, flexible office space is seen to expand with some office developers, such as Regus, planning to explore the flexible workspace model.

Smaller developers buying smaller plots in Makati CBD

As mentioned in the previous sections, demand is still strong for Makati CBD, with vacancy rates only at around 2%, and the lack of new supply is not helping the growth of the CBD. Smaller developers have noticed this, and have now gone into buying the small plots in the side streets of Salcedo and Legaspi Villages, and redeveloping them into Grade B office buildings. Examples of which are: Frabelle Business Center, V Corporate Center, M1 Tower and Frabelle Corporate Plaza.

HQs on the move to Fort Bonifacio

Again the lack of new supply in Makati CBD has hindered multinational companies to consolidate their spaces and build bigger headquarters. This has benefitted Fort Bonifacio well, as it has convinced Regional HQs, such as Coca-Cola, Fortune Tobacco, and Shell, to move over to the CBD, consolidate their space into newer buildings, all the while getting better lease rates. Landlords in Fort Bonifacio have been more willing to drop rates to get good and stable tenants, unlike those of Makati CBD landlords, who are more bent on keeping the rates at a certain level. Fort Bonifacio also do not have gaming companies who are more willing to pay higher lease rates and get large office spaces, so landlords have to keep their rates competitive to ensure leasing of their buildings.

Buildings moving into well thought of design and facilities

Offices have now veered away from the typical box-type offices with very little windows and aesthetic value, to iconic buildings – curtain walls, full glass façade and integrating LEED technologies. Some of the upcoming buildings also have renowned architects and design engineers do their buildings, and use them as part of their marketing. This have gained traction for some of the MNCs and now require their headquarters to be in buildings which are iconic, have green practices and are prestigious in terms of looks.

MNCs still prefer Makati CBD over Fort Bonifacio because of accessibility

While Fort Bonifacio have more available space and newer buildings, MNCs still prefer to locate in the Makati CBD primarily because of accessibility. Formerly a military base, Fort Bonifacio was planned in such a way that it will be hard to get to, and hard to get out of. Accessiblity going in and out are limited, and roads leading to and from are narrow, compared to that of the Makati CBD, which, offers a number of ways coming in and out, with various modes of transportation available for the employees. Makati CBD is also still considered the premier CBD, and the more prestigious address.

6.3 CHANGES IN THE BPO INDUSTRY POST-COVID19

Immediate impacts of Covid-19 to the office sector

- Slower expansion from the Philippine Offshore Gaming Operators (POGO's) due to uncertainties brought by the pandemic.
- New supply of office space in 2020 are expected to drop due to work stoppage on site, as well as social-distancing measures that are being implemented by the government to construction businesses post enhanced community quarantine (ECQ).
- Vacancy rates expected to hike to 5.5% as the market shifts partially to a Tenant's market from being a Landlord market.
- Occupiers pause long-term plans to occupy or expand from their current spaces and decision-making may extend even after the pandemic has dissipated before firms start taking up new office space.
- Inspection activities declined due to limitations in mobility and ECQ restrictions resulted on a 24% drop YoY of deals closed during Q1 2020.
- There's a possibility that GDP will contract indicating a U-shaped growth, therefore, expecting a slower than expected growth in 2021.

COLLIERS OUTLOOK

While vacancy is seen to rise in 2020 due to the slower closing of deals tenants taking up a wait and see stance, Colliers sees a likely recovery from both outsourcing and traditional segments in 2021. The rebound in demand should also offset a sluggish take-up from POGOs in 2020. With this projected recovery in 2021, followed by a pick-up in completions of office spaces, we see vacancy to decline to 5% in 2021 from a projected 2020 vacancy of 6%. Rents are also seen to drop in 2020 before picking up again 2021, with better market conditions. A faster recovery in rents is seen further down in 2022.

As the pandemic subsides, higher health standards and additional safety measures will be enacted among office spaces and office buildings. Colliers expects wellness to be at the forefront of organizations' strategies moving forward. Some key points that we see for both landlords and occupiers are:

For Landlords:

- To maximize existing wellness features of their buildings and prioritize certifications such as LEED and WELL buildings standards to promote the health and well-being of their occupants when they come back to the office building.

- To be more discerning with design considerations such as proper air circulation within common areas, lower density within elevators, access to stairwells to avoid riding cramped elevators, and glass ratios that allow natural sunlight to enter the building.

- To provide for proper ventilation systems and technical provisions that improves indoor air quality, supply, and circulation.

- To strengthen property management capabilities including sanitation and emergency preparedness to be more resilient in pandemic or emergencies related to natural calamities.

- To implement enhanced hygiene and cleaning measures during operations by providing hand sanitizing dispensers in hallways, providing soap and water in toilets, use of sensor taps and flushes inside toilets, and hands-free door openers.

For Occupiers:

- Implementation of alternative work arrangements such as telecommuting and/or alternating schedules to be at the office. For some companies, the presence of employees is not about showing physically at work, it's about being mentally and being fully engaged wherever they are. This also means providing adequate support to employees by providing them with laptops, internet access, headsets, etc. that will truly promote the employees' productivity whether is working remotely or working from the office.

- Effectively communicate cloud computing strategies to their employees to minimize disruption of operations. This can be conducted through numerous online training sessions on how to adapt to remote work, how to communicate with team members remotely, and find seamless ways to work collaboratively with the team.

- Businesses should take measures to ensure that employees are healthy, motivated and productive. To enhance physical well-being, companies can use smart technologies that monitor indoor air quality and invest in equipment such as air purifiers and humidifiers that improve air circulation. This is a proven way to help fight the spread of disease within indoor spaces. Most companies implemented a one (1) employee for every three (3) seats in the office while the rest of their staff continued to work from home. Companies should also work on boosting immunity of their employees through education of how to invest on a healthy lifestyle by staying active or eating healthy. Some companies go as far as providing fitness gyms and nutritious snacks and meals inside their pantries.

- Implement a **Flex and Core™ real estate strategy** where a mix of traditional and flexible workspaces are created. From a commercial real estate point of view, this will help Occupiers manage uncertainty by dialing up or down their space requirements in tandem with the headcount movements and business objectives. This requires efficiently evaluating their business continuity plans and making it more resilient.

TRENDS AND PRACTICES OF BPO LOCATORS

Some of the key trends that were implemented by BPO locators during the enhanced community quarantine to ensure business continuity:

- Provided employees with laptops and internet connectivity
- Remote work arrangement options were given to employees that were residing outside Metro Manila.
- For workers that handled sensitive information, they were shuttled to the office from their homes to be able to go to the office. Otherwise, some companies housed their employees in hotels, dorms, or apartments near their offices or sometimes even within the office premises.
- Work shifting arrangements were also implemented for employees who had difficulty adapting to remote-work.
- Non-core functions such as recruitment and accounting had a work-from-home arrangement.

7 VICINITY & SITE ANALYSIS

7.1 SITE 1: SOLARIS ONE

7.1.1 LOCATION AND VICINITY

Solaris one is located along Dela Rosa St., on the western portion of the Makati CBD, closer to Gil Puyat Avenue than EDSA. Buildings within the vicinity include the twin towers of RCBC Plaza, GT Tower, Kroma Residences and Makati Medical Center. Being along Dela Rosa Avenue, the nearest bus loading station is around 300 meters away, with employees needing to walk around the block covering the building towards Ayala Avenue. The unloading station is a bit further away to the east, around a 10 minute walk from the building (700 meters). While the covered skywalk along Dela Rosa passes by Solaris One, it is not connected at the moment. Glorietta 4 is around 1.4 km away.

Below are the significant landmarks in Makati CBD and their distances from Solaris One.

Solaris One	Distance in KM	Distance in Minutes (by Walking)
Ayala Triangle Gardens	0.85	13 mins
Makati Medical Hospital	0.45	5 mins
Makati Post Office / Fire Station	0.65	9 mins
Greenbelt 1	0.85	11 mins

Solaris One	Distance in KM	Distance in Minutes (by Walking)
Glorietta	1.4	20 mins
SM Makati	1.6	22 mins
MRT Ayala Station	1.7	23 mins
MRT Buendia Station	2.5	34 mins
Nearest Bus Loading Station	0.3	5 mins
Nearest Bus Unloading Station	0.7	10 mins

7.1.2 GENERAL DESCRIPTION OF THE PROPERTY

Solaris One	
Address	Blk 1 Lot 2, Dela Rosa St., San Lorenzo, Makati City
Land Area	3,612 sq.m.
Zoning	C-4B (Central Business District Zone)
	This central business district zone shall be used primarily for high density office and residential developments on a metropolitan scale of operations, with miscellaneous support uses
Allowable Uses	Office, Bank, Finance, Insurance, Money Exchange Service / Pawnshop / Payment Center, Educational Institutions, Specialty School / Training Facility, Place of Religious Worship, Hospitals / Medical Centers, Auditorium / Theater / Performance / Civic Center, Library / Museum / Exhibit Area, Convention / Meetings Facilities, Parks / Playground / Sports Fields, Parking Structure, Computer / Information Technology-Related Service Activity / Radio / Television Station, Utility Installation for use of zone/lot occupants, Public Utility Facility, Embassy, Government Facility, Hotel, Residential Inn, Apartelles, Condominium, Condotel
Allowable Floor 'Area Ratio	Not more than 16

Solaris One, completed in 2008, was originally known as the E-Services 3 Dela Rosa Tower 1. It is located at 130 Dela Rosa Street, Legaspi Village, Makati City. It has a total gross floor area of 73,322 sq.m. within a land area of 3,612 sq.m.. Total allowable FAR based on the locational clearance is not more than FAR 16, while the total used FAR is 15.69. It is zoned as C-4B, known as part of the Central Businss District Zone.

7.1.3 COMPETITION ANALYSIS

Below are some of the competitors of Solaris One, in terms of specifications, location, and classification.

	Solaris One	Innoland Altaire	NEX Tower	Insular Life	M1 Tower	Frabelle Corporate Plaza
Address	130 Dela Rosa Street	Malugay Street	6786 Ayala Avenue	6781 Ayala Avenue corner Paseo de Roxas	141 HV Dela Costa Street	Tordesillas cor. Bautista St., Salcedo Village
Building Grade	A	A	A	A	A	A
Completion Date	Completed (2008)	Dec-21	Mar-19	Completed (2017 – renovation)	Completed (2018)	Completed (2018)
Gross Leasable Area*	46,027	58,273	32,310	19,397	8,360	6,404
Net Useable Area	46,027	52,446	28,109	15,905	7,106	5,315
Efficiency**	100%	90%	87%	82%	85%	83%
Total Floors	24		28	14	15	16
Typical Floor Plate	2,800	1,665	1,407	1,623	1,045	757
Density Ratio	1:6.5	1:5	1:8 (Lower Zone), 1:9 (Higher Zone)	1:5.5	1:6	1:6.5
Back-up Power	100%	100%	100%	N+1	100%	100%
Rent	1,300	TBA	1,800	1,300	-	1,000
Basis of Rent	GLA	GLA	GLA	GLA	GLA	GLA
PEZA	Yes	Under Process	Under Process	Yes	No	No
Certifications (LEED / Well)	None		None	None	None	None
A/C Type	Centralized	VRF	VRF	VRF		VRF
A/C Charges	Sub-metered	Sub-metered	Metered	Sub-metered	Sub-metered	Sub-metered
CUSA	393.88	TBA	200	200	160	180
Occupancy / Pre-leasing status	99%***	11%	68%	100%	100%	100%

Source: Colliers International Research
** Based on Leasable Areas of OFFICE USE ONLY*
*** Efficiency is calculated as Net Useable Area divided by Gross Leasable Area*
**** based on Net Useable Area*

All towers in the competitive set are Grade A, and are mostly in secondary roads, with the exception of Insular Life Building as well as Nex Tower. Floorplates are small, with no building more than 2,000 sq.m., unlike Solaris One which has more than 2,500 sq.m. of floorplate.

Only Solaris One has useable space as basis of rent, while the others are leasable area. And only Solaris One and Insular Life are PEZA accredited. In terms of rent, Solaris One is at par with Insular Life at Php1,300 per sq.m., but Solaris One has the most expensive CUSA dues at more than Php300 per sq.m., while competitors are only Php160 – Php200. It is also the only building among the set which has an A/C system which is centralized.

Note that Colliers base gross leaseable area of buildings from the floorplans provided by developers. It is computed by getting the total useable/carpeteable area, plus the common area. However for Solaris One, the computation does not include common areas. For older buildings which do not have floorplans, these are estimated based on broker communication with the developer/owner.

7.1.3.1 INNOLAND ALTAIRE

STRENGTHS

PEZA Accreditation is Under Process

Innoland Altaire has already applied for PEZA accreditation. Although there is no definite timeline, it is an advantage as compared to applications that will be submitted at a later period. Once PEZA accreditation is received, it will be easier for Altaire to target tenants in the outsourcing industry.

LEED Certification

Innoland Altaire is promoting itself as a Grade A, green-efficient building with generous open spaces and designs that allow more natural light. In line with this, it is aiming for LEED certification to showcase the company's dedication to sustainability. This will be an advantage for Innoland Altaire in their marketing activities since modern companies nowadays, especially MNCs, are moving towards green and innovative features that will promote a better working environment for their employees.

Accessibility

Some bus and jeepney routes heading to / coming from Ayala Avenue will directly pass by the area, hence it is convenient for employees that commute to and from work. For private vehicles, it is easily accessible since Malugay St. is directly connected to main roads Ayala Avenue and Gil Puyat Avenue.

Visibility

Innoland Altaire will have a total of 45 storeys, giving it good visibility in the Makati skyline. It is expected to stand out since buildings near it, like The Lerato, are not that high. Also, Innoland Altaire's structure is quite at par with that of RCBC Plaza and GT Tower in terms of height.

VRF Air-conditioning System

The building's A/C system is set to be VRF. This is more commonly used nowadays over the centralized system, especially by BPO tenants. Meanwhile, the usage will be sub-metered.

Retail Component

Innoland Altaire will allocate space for retail shops within the building. This will allow them to make up for the limited dining options within the immediate vicinity, as compared to office buildings that are in close proximity to malls like Greenbelt and Glorietta.

WEAKNESSES

Visibility

A side of the building will have a view of Manila South Cemetery which might be an off factor for some companies, particularly Chinese companies that might think of it as bad feng shui.

Accessibility

Innoland Altaire will have no direct access to PUV terminals, unlike those situated along Ayala Avenue and Makati Avenue. Nonetheless, bus stops, jeepney and UV terminals are walkable.

Small Floorplate

Typical floorplate of Innoland Altaire is at 1,665 sqm, which is quite small for a BPO/POGO tenant since they normally require a minimum of 2,000 to 2,500 sqm.

7.1.3.2 NEX TOWER

STRENGTHS

PEZA accreditation under process

NEX Tower has already applied for PEZA accreditation. Although there is no definite timeline, it still an advantage as compared to applications that will be submitted at a later period. While the BPO industry is not the main target, they will also attract BPO tenants once PEZA accreditation is received.

LEED Certification

NEX Tower is one of the newest Grade A office buildings in Makati as it opened in 2Q 2019. It is aiming for LEED Gold Certification, which will further boost its iconic status. It has already been featured numerous times for its unique design and green features, with Nova Group having an advantage of being partnered with globally renowned firm Skidmore, Owings & Merrill (SOM). According to the group, it mainly targets MNCs, financial institutions, and leading local firms.

Accessibility

The building has a prime location along Ayala Avenue. In front of the office is a drop off point for buses and jeepneys, and other PUV terminals are just an underpass away. Another strong point is proximity to dining options along Dela Rosa and the skywalk that directly leads to Makati Medical Center, Ayala North Exchange, Greenbelt, and Glorietta.

Visibility

With its prime location and "crystalline, unique slice" structure at 28 storeys, NEX Tower has superior visibility along Ayala Avenue. It stands out more because the buildings alongside it are relatively older structures and shorter in height. Note that Alveo Financial Tower, situated in the same block as NEX, will be a match as it targets to have 55 storeys upon completion.

VRF Air-conditioning System

The building's A/C system is VRF. This is more commonly used nowadays over the centralized system, especially by BPO tenants. Meanwhile, the usage is metered.

High Building Efficiency

Following Solaris One, NEX Tower has the second highest building efficiency at 87% without neglecting open spaces. The building boasts of its reception with a 16m floor-to-ceiling height with green walls and LED lights, a gallery space on its ground floor, and a kiosk for Toby's Estate.

WEAKNESSES

Small Floorplate

Typical floorplate of NEX Tower is at 1,400 sqm, which is far from the minimum required by a BPO/POGO company since they normally require a floorplate of 2,000 to 2,500 sqm.

7.1.3.3 INSULAR LIFE

STRENGTHS

PEZA accredited

Insular Life is already PEZA accredited, a big advantage when targeting outsourcing companies. While new and upcoming offices have their PEZA accreditations under process, the government have fewer PEZA issuances in Metro Manila nowadays so it will take them a longer time to be accredited.

LEED Certification

Insular Life earned a LEED Gold Certification when it undergone renovation in 2017, another boost in the building's profile. Note that it was built back in 1960, but the renovation fully restored its structure and it remains well-managed up to date.

Accessibility

Insular Life has a prime location along Ayala Avenue, with the pickup point for buses and jeepneys just a walk away from the office. It is also just an underpass away from Ayala Triangle, another major transport hub in Makati. In terms of dining options, Tim Hortons is found at the ground floor, plus the entire block has many fast food options as well as casual dining along Valero.

Visibility

With its prime location, Insular Life has good visibility along Ayala Avenue corner Paseo De Roxas. Not to mention that it is already a well-known building given its longstanding presence in Makati.

VRF Air-conditioning System

The building's A/C system is VRF. This is more commonly used nowadays over the centralized system, especially by BPO tenants. Meanwhile, the usage is sub-metered.

Events space

Insular Life has function rooms, meeting rooms, and a 300-seater ballroom that can be rented out by non-tenants as well, whether for corporate or personal events.

WEAKNESSES

Small Floorplate

Typical floorplate of Insular Life is at 1,600 sqm, whereas BPO/POGO companies typically require a minimum of 2,000 to 2,500 sqm.

7.1.3.4 M1 TOWER

STRENGTHS

Accessibility

By private vehicles, M1 Tower is easily accessible since H.V. Dela Costa is directly connected to Makati Avenue and Salcedo via Ayala Avenue.

Proximity to essentials

M1 Tower has a convenience store at its ground floor which is a good thing for employees in the building. It is near banks and service providers, and some stand-alone dining options are within walking distance.

WEAKNESSES

Accessibility

By commute, M1 Tower has no direct access to PUV terminals and will require a longer walk of around 15 minutes to get to bus and jeepney stops.

Small Floorplate

Among the comparables, M1 Tower has a small floorplate at only 1,000 sqm. Although for companies requiring a small space, this might be a good option.

7.1.3.5 FRABELLE CORPORATE PLAZA

STRENGTHS

Proximity to branded hotels

Some companies look at the proximity to hotels for purposes like corporate functions or top management visiting the Philippines. Frabelle Corporate Plaza is very near branded hotels like Citadines Salcedo and Valero Grand Suites by Swiss-Belhotel.

Proximity to affordable food options

While it has no food court, Frabelle Corporate Plaza is close to cafés, affordable food kiosks, and convenience stores.

Generous parking spaces

Despite its smaller scale compared to those in the comparable set, Frabelle Corporate Plaza has a generous allotment for parking spaces at a ratio of 1:50, while the standard is only at 1:100.

VRF Air-conditioning System

The building's A/C system is VRF. This is more commonly used nowadays over the centralized system. Meanwhile, the usage is sub-metered.

WEAKNESSES

Accessibility

By commute, Frabelle Corporate Plaza has no direct access to PUV terminals and will require a longer walk of around 10 to 15 minutes to get to bus and jeepney stops.

Visibility

The building has minimal visibility given its location in the inner streets of Salcedo Village.

Small Floorplate

Among the comparables, Frabelle Corporate Plaza has the smallest floorplate at only 757 sqm.

7.1.4 SWOT ANALYSIS

7.1.4.1 STRENGTHS

Location

Solaris One is located within the Makati CBD, the premier central business district of the country. It is the preferred location for most of the MNCs and largest corporations in the Metro. With the lack of developable land, and the continued strong demand for office space, being located within the CBD is a major plus for any building.

PEZA Accredited

The building is PEZA accredited, and the lack of PEZA accreditations being handed out to Metro Manila buildings has become an advantage to those who have gotten theirs earlier, most especially for buildings which target the outsourcing industry. And Solaris One is one of them.

Sizeable floorplate

The typical floorplate of the building is more than the minimum requirement of the BPOs, but not as extremely big that it is still flexible and can be divided into quadrants for smaller locators.

High Efficiency within the Units

As the efficiency of Solaris is 100% (i.e. net useable area is equivalent to gross leasable area), the tenants effectively pay rent only for the area they use and occupy. In contrast, most other buildings' efficiency is less than 100%, tenants pay for net useable area plus a share in the common areas.

Brand and track record

The building is owned and developed by Ayala Land, and with the brand and track record that the developer carries, tenants are ensured that what is promised will be delivered, and that the building will be built with integrity and quality.

Well maintained and professionally managed

Solaris One started operations in December 2008, however, because it is professionally managed, the building is well kept and well maintained, as compared to other buildings built during the same era.

Retail component – food options for the tenants

The building has within its building a retail component, which offers food options as well as services and convenience stores not only for the tenants but for the neighboring buildings as well.

Good anchor tenant

Solaris One, because of the compatibility of its technical specifications to the BPO industry was able to get very good anchor tenants, such as the shared services of Shell, ANZ Global Services and Operations as well as the Institutional Shareholder Services Inc.

7.1.4.2 WEAKNESSES

Visibility

Because it is located along Dela Rosa Avenue, visibility within Ayala Avenue is almost nil. It is visible within Dela Rosa; however, the front is facing sideways, and not within the bigger road.

Accessibility

While the building has no direct access to Ayala Avenue, ergo, no access to the bus stops which are all along Ayala Avenue, it is a short walk from these bus stops. Temporarily, with all the construction going on in the Alveo Financial Tower, the empty lot which used to be the short cut going to Ayala Avenue has been closed off, so all those who will be going to and from Ayala Avenue, will have to go around the block. Drop off of the building is also just a small access road to the side of Dela Rosa Avenue, good for one vehicle alone, and is one-way.

Connection to the walkway

Unlike some of the buildings along Dela Rosa Avenue, Solaris One is not connected to the skywalk. Recently, stairs have been installed nearby, just before the Kroma Towers, the nearest staircase is around a hundred meters away.

Low glass ratio

Due to the building's age, the windows are smaller than newer buildings with high glass ratio, with a slightly lower amount of natural light coming into the offices. With the move towards green initiatives and wellness among employees, the amount of natural light coming into the office becomes more and more important. Because of this, some tenants prefer higher glass ratio, while some are still okay with a lower glass ratio.

Above market CUSA + Aircon charges + Parking Fee

While rental charges appear cheaper because of the basis of rent, Solaris One charges one of the more expensive CUSA charges at Php325.52 per sq.m., while competitors charge around Php160 to Php220. Additional A/C CAPEX charges are also in place at Php196.28 and parking rent of Php7,960 per slot. While competitors also charge for parking rentals, these would be in the range of Php4,500 – Php6,500 per slot.

Centralized aircon

The building's current A/C system is centralized, while some BPO tenants may use VRF as their A/C systems. Solaris' usage is sub-metered.

7.1.4.3 OPPORTUNITIES

Low vacancy in Makati CBD

Makati CBD vacancy rates has been below 5% since 2011, which indicates continued strong demand, even with the limited new supply coming in. Grade A buildings, which is the classification of Solaris One, is currently at 2% vacancy.

New industries entering the market and looking for office spaces

Other than the typical BPO and traditional companies scrambling for office spaces in Makati CBD, new industries such as flexible workspaces and FinTech (financial technology) companies have also been observed to be entering the market and getting significant spaces in different buildings; from Premium to Grade Bs.

Low PEZA availability in Makati

Because of the government's drive to push offices to open outside of Metro Manila, there are very minimal PEZA Accreditations that have been released not only in Makati CBD, but also all around Metro Manila. Being PEZA accredited, Solaris One will be a sought-after building, as most of the outsourcing companies, as well as some MNCs still prefer to be located in PEZA Accredited buildings.

7.1.4.4 THREATS

Newer buildings, cheaper options

As some lots are being redeveloped and built as either office or residential buildings, the number of competitions increases. These newer buildings pose as threat, as these are more modern in terms of technology, ambience, and aesthetics.

Evolving tenant requirements (tech, infra, well, LEED, etc)

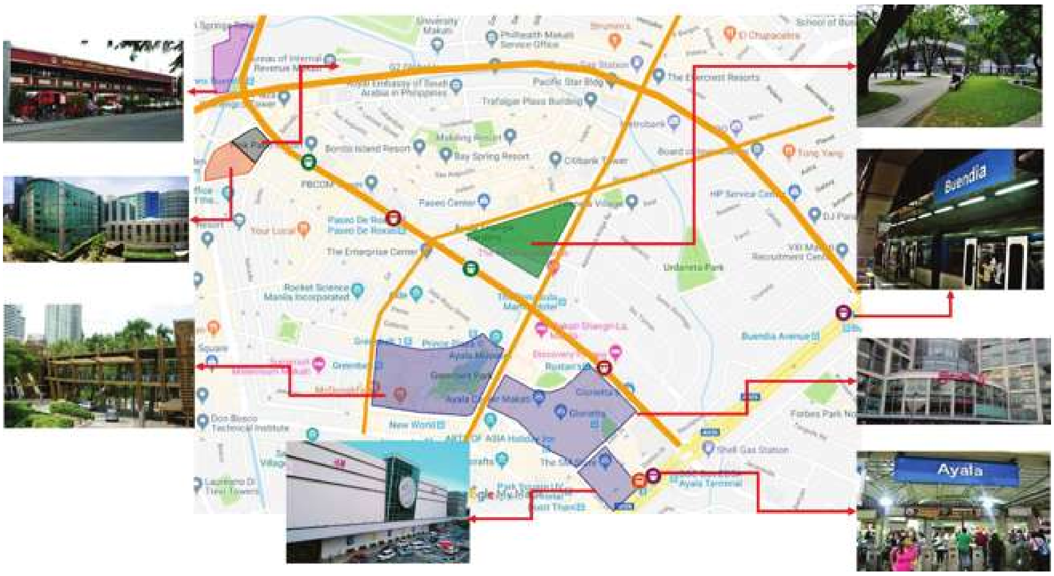
Because the building is older, new trends such as the LEED certifications, improved tech and infrastructure, green initiatives and technologies are not in place. Colliers have seen trends wherein these kinds of specifications are becoming a part of tenants' wish lists, especially the MNCs.

Work from home

With the Telecommuting Act now signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might have some slowdown due to this, as workers can now work from home, and the number of seats can now be lessened, or maintained, even as the companies expand. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

7.2 SITE 2: AYALA NORTH EXCHANGE

7.2.1 LOCATION AND VICINITY



Ayala North Exchange is located along Ayala Avenue, Salcedo and Amorsolo Sts., within Legazpi Village. It is connected to one of the buildings of Makati Medical Center, and the skywalk along Dela Rosa Avenue going to Greenbelt. In front of it are the Twin Towers of RCBC Plaza, and GT Capital's GT Tower. It is on the eastern portion, almost at the edge of the Makati CBD.

Listed below are the distances of Ayala North Exchange to significant landmarks within the Makati CBD.

Ayala North Exchange	Distance in KM	Distance in Minutes (by Walking)
Ayala Triangle Gardens	0.95	13 mins
Makati Medical Hospital	0.15	2 mins
Makati Post Office / Fire Station	0.3	4 mins
Greenbelt	1	13 mins
Glorietta	1.7	24 mins
SM Makati	1.8	25 mins
MRT Ayala Station	2	27 mins

Ayala North Exchange	Distance in KM	Distance in Minutes (by Walking)
MRT Buendia Station	2.5	34 mins
Nearest Bus Loading Station	0.15	3 mins
Nearest Bus Unloading Station	0.85	10 mins

7.2.2 GENERAL DESCRIPTION OF THE PROPERTY

Located within Makati CBD, Ayala North Exchange is zoned as C-4B, or Central Business District Zone. According to the Zoning Ordinance, this zone shall be used primarily for high density office and residential developments on a metropolitan scale of operation, with miscellaneous support uses. The building sits on a 7,657 sq.m. lot, with an allowable FAR of 16.

Ayala North Exchange	
Address	Ayala Ave. cor, Salcedo St. cor. Amorsolo St., San Lorenzo, Makati City
Land Area	7,657 sq.m.
Zoning	C-4B (Central Business District Zone)
	This central business district zone shall be used primarily for high density office and residential developments on a metropolitan scale of operations, with miscellaneous support uses
Primary Allowable Uses	Office, Bank, Finance, Insurance, Money Exchange Service / Pawnshop / Payment Center, Educational Institutions, Specialty School / Training Facility, Place of Religious Worship, Hospitals / Medical Centers, Auditorium / Theater / Performance / Civic Center, Library / Museum / Exhibit Area, Convention / Meetings Facilities, Parks / Playground / Sports Fields, Parking Structure, Computer / Information Technology-Related Service Activity / Radio / Television Station, Utility Installation for use of zone/lot occupants, Public Utility Facility, Embassy, Government Facility
Allowable Floor Area Ratio	Not more than 16

7.2.3 COMPETITION ANALYSIS

Below are the competitors seen for the Ayala North Exchange. Since the building isn't completely finished at the moment, two (2) of its competition are still under construction. These buildings were chosen due to similarities in character, either because of location, technical specifications, or positioning in the market.

	Ayala North Exchange HQ	Ayala North Exchange BPO	Ayala Triangle Gardens 2	One Ayala Tower 1	GT Tower	RCBC Plaza Tower 1	Zuellig Building
Address	Ayala Avenue cor. Salcedo and Amorsolo	Ayala Avenue cor. Salcedo and Amorsolo	Makati Avenue corner Paseo de Roxas	Ayala Avenue corner EDSA	Ayala Avenue corner H.V. Dela Costa Street	Ayala Ave cor. Gil Puyat Ave	Paseo de Roxas
Building Grade	A	A	P	A	A	P	P
Completion Date	Completed (2018)	Completed (2019)	Dec-20	Dec-21	Completed (2001)	Completed (2001)	Completed (2012)
Gross Leasable Area*	19,368	40,356	63,937	32,416	34,880	68,310	65,000
Net Useable Area	19,368	40,356	63,937	32,416	30,694	61,479	55,250
Efficiency**	100%	100%	100%	95%	88%	90%	85%
Total Floors	12	20	39	22	43	46	33
Typical Floor Plate	1,500	2,039	1,689	2,600	1,247	1,650	1,945
Density Ratio	100%	1:5	1:9.5	1:5	1:5.5	1:10	1:8.5
Back-up Power	N+1	100%		100%		100%	N+1
Rent	1,500	1,500	1,800	1,300	1,400	1,700	1,900
Basis of Rent	GLA	GLA	GLA	GLA	GLA	GLA	GLA
PEZA	Yes	Yes	Not Applicable	Not Applicable	Yes	Yes	Yes
Certifications (LEED / Well)	LEED Certification Under Process	LEED Certification Under Process	None	None	None	None	LEED Platinum
A/C Type	Centralized	Centralized	Centralized	VRF	Centralized	Centralized	Centralized
A/C Charges	Sub-metered	Sub-metered	Sub-metered, CAPEX Charges - ₱325	Sub-metered	Sub-metered, Saturdays: 1,900 per hour per tenant	Inclusive in dues	Sub-metered
CUSA	206	206	240	185	200	220	260
Occupancy / Pre-leasing status	100%***	100%	42%	47%	89%	91%	93%

Source: Colliers International Research
** Based on Leasable Areas of OFFICE USE ONLY*
*** Efficiency is calculated as Net Useable Area divided by Gross Leasable Area*
**** based on Net Useable Area*

Among the buildings that are featured, RCBC Plaza Towers and the Zuellig Building are considered as Premium Grade buildings. Meanwhile, GT Tower is Grade A, and the two (2) upcoming buildings are also Grade A. Ayala North Exchange is considered as a Grade A building. All comparable buildings have a gross leasable area of more than 30,000 sq. m. of office space, while the Ayala North Exchange HQ Building is smaller, with a little less than 20,000 sq. m.

Among the completed buildings, GT Tower has the smallest floorplate, at almost 1,250 sq. m., while the premium grade buildings are at more than 1,500 sq. m. As for the two (2) buildings under construction, they have a floor plate size of almost 1,700 sq. m. The largest floor plate size among the data set is One Ayala Tower with 2,600 sq. m. The two towers of Ayala North Exchange have a floor plate size ranging between 1,500 – 2,600 sq. m.

With regards to back-up power, only Zuellig Building has an N+1 capability – having an effective back-up to the back-up – something BPO tenants require of their buildings. It is also the only building, that is Platinum LEED certified.

All three (3) completed buildings, as well as Ayala North Exchange Towers are PEZA Accredited, a major plus for any building in the metro, given the limited PEZA accreditations being released by the government.

Ayala North Exchange's base rents are higher than comparable Grade A buildings but compared to Premium buildings, Ayala North Exchange's base rents are cheaper, with its base rent of Php1,500 per sq. m. per month. Ayala North Exchange's CUSA charges of Php206 per sq. m. per month are also slightly higher compared to comparable Grade A buildings but lower compared to its Premium competitors in the set.

Note that Colliers base gross leaseable area of buildings from the floorplans provided by developers. It is computed by getting the total useable/carpeteable area, plus the common area. However for Solaris One, the computation does not include common areas. For older buildings which do not have floorplans, these are estimated based on broker communication with the developer/owner.

7.2.3.1 ONE AYALA TOWER 1

STRENGTHS

Ayala brand

The brand speaks for itself given Ayala Land's reputation, especially in Makati City. Furthermore, it will be built alongside an Ayala mall, Seda Hotel, and a condominium.

Location

One Ayala Tower 1 is strategically located along Ayala Avenue corner EDSA, just across the established Glorietta Complex. It will have a wide frontage as it takes part in a 2.8-hectare mixed-use development.

Accessibility

For private vehicles, it is easily accessible with its access to two (2) major roads. For commuters, it will be a very convenient workplace. One Ayala Tower 1 will be attached to a new transportation hub that will house different modes of public transportation, as well as direct access to the existing MRT station.

Larger Floorplate

One Ayala Tower 1 will have a floorplate of 2,600 sqm which can accommodate the minimum requirement of BPO/POGO companies. This will be a rare offering for new locators given the generally low vacancies and lack of developable land in Makati City.

VRF Air-conditioning System

The building's A/C system will be VRF. This is more commonly used nowadays over the centralized system, especially by BPO tenants. Meanwhile, the usage is sub-metered.

High Building Efficiency

One Ayala Tower 1 will have a building efficiency of 95%, considerably higher than the existing Premium grade buildings in Makati CBD, namely RCBC Plaza (90%) and Zuellig (85%).

WEAKNESSES

Traffic congestion

With its busy location, One Ayala Tower 1 can possibly cause traffic congestion due to sheer number of public transport vehicles for commuters as well as private vehicles of employees and mall-goers. A traffic plan has been engaged by the developer for this project, and until the building has been completed and operational, it remains to be seen whether the there will be heavy traffic in the area.

7.2.3.2 AYALA TRIANGLE GARDENS 2

STRENGTHS

Ayala brand

The brand speaks for itself given Ayala Land's reputation, especially in Makati City. It will be part of the Ayala Triangle Gardens which is already a popular destination.

Location and Accessibility

For private vehicles, it is easily accessible along Makati Avenue corner Paseo De Roxas. For commuters, Ayala Triangle is a loading point for various PUVs, making it very convenient and hard to miss.

PEZA accreditation under process

The building has already applied for PEZA accreditation. Although there is no definite timeline, it still an advantage once approved, especially for targeting BPO/POGO companies.

LEED Certification

In order to show ALI's commitment to environmental sustainability, the building will have green features like indoor trees, façade that is partly covered with grass, a sunken amphitheater, and so on. In line with this, Ayala Triangle Gardens 2 will aim for LEED Gold Certification.

Retail and dining options

Aside from the existing dining options at Ayala Triangle Gardens, the mixed-use project will also have a retail podium that will connect the tower to Ayala Tower One. All these will be providing tenants and visitors alike more options to choose from and more restaurants to visit in Ayala Triangle.

VRF Air-conditioning System

The building's A/C system will be VRF. This is more commonly used nowadays over the centralized system, especially by BPO tenants. Meanwhile, the usage is sub-metered.

High Building Efficiency

One Ayala Tower 1 will have a building efficiency of 95%, considerably higher than the existing Premium grade buildings in Makati CBD, namely RCBC Plaza (90%) and Zuellig (85%).

WEAKNESSES

Traffic congestion

With its busy location, One Ayala Tower 1 can possibly cause traffic congestion due to sheer number of public transport vehicles for commuters as well as private vehicles of employees and mall-goers.

7.2.3.3 GT TOWER

STRENGTHS

Location and visibility

Prime location along Ayala Avenue and superior visibility as it is one of the tallest buildings in Metro Manila at 47 storeys. It is also an iconic building in Makati since it was built in 2001.

Location and Accessibility

For private vehicles, it is easily accessible along Ayala Avenue. For commuters, it is likewise easy to reach since the block itself is a pickup point for PUV terminals, and other terminals like Dela Rosa Carpark are also walkable from the building.

PEZA accredited

GT Tower is already PEZA accredited, a big advantage when targeting outsourcing companies. While new and upcoming offices have their PEZA accreditations under process, the government have fewer PEZA issuances in Metro Manila nowadays so it will take them a longer time to be accredited.

Open spaces and amenities

GT Tower has its own food court on the 12th floor of the building, making it more convenient for tenants. There is also a bank at the ground floor, as well as generous open spaces to lounge in.

WEAKNESSES

Small Floorplate

Typical floorplate of GT Tower is at 1,240 sqm, which is far from the minimum required by a BPO/POGO company since they normally require a floorplate of 2,000 to 2,500 sqm.

People traffic

While heavy foot traffic is a good thing at times, its undeniable that there are many bystanders in the building since it is easy to enter the building. This might be a bother to tenants in the building in terms of crowdedness in the food court or elevator traffic.

7.2.4 SWOT ANALYSIS

7.2.4.1 STRENGTHS

Location – within the Makati CBD

Ayala North Exchange is located within the Makati CBD, the premier central business district of the country. It is the preferred location for most of the MNCs and largest corporations in the Metro. With the lack of developable land, and the continued strong demand for office space, being located within the CBD is a major plus for any building. Apart from this, the building is along Ayala Avenue, the major thoroughfare of Makati CBD, and the most prestigious address for the buildings within the CBD.

PEZA Accredited

Both buildings of Ayala North Exchange are PEZA accredited, and not many upcoming and new buildings have this advantage, as less and less accreditations have been released by the government. PEZA buildings are still the preferred buildings of outsourcing companies.

Floorplate within the standards for BPOs

The floorplate of the BPO building is at around 2,000 sq.m., which is the minimum floorplate of most BPO companies.

Visibility

Due to its location along Ayala Avenue, Ayala North Exchange has superior visibility. Compared to other buildings. Add the fact that it covers that whole block, and buildings nearby are small in terms of number of floors. Size and location teamed up to give the Ayala North Exchange the visibility advantage.

Accessibility

The building has a direct access along Ayala Avenue, with its drop off facing directly in along the major thoroughfare. Because it occupies the whole block, the building has three (3) streets as access points. However, bus loading and unloading stations are around a few hundred meters away.

Connection to the walkway – up to Glorietta

While the building is more than a kilometer away from Glorietta, it is connected to the skyway along Dela Rosa, making it easier for those coming to and from Ayala North Exchange, even during bad weather.

High Efficiency within the Units

As the efficiency of Ayala North Exchange HQ and Ayala North Exchange BPO is 100% (i.e. net useable area is equivalent to gross leasable area), the tenants effectively pay rent only for the area they use and occupy. In contrast, most other buildings' efficiency is less than 100%, tenants pay for net useable area plus a share in the common areas.

Next to a hospital

Being a few meters away from the Makati Medical Center, and connected via the skywalk, Ayala North Exchange becomes the first integrated development within the CBD. The hospital also gives tenants of the office spaces some sense of security, should some emergency happen, they know they area just a stone throws away from the hospital.

Brand and track record

The building is owned and developed by Ayala Land, and with the brand and track record that the developer carries, tenants are ensured that what is promised will be delivered, and that the building will be built with integrity and quality.

Open spaces

As part of the integrated development, Ayala North Exchange has some civic and open space gardens allotted in the podium of their buildings. They are one of the few buildings which have this specification.

Captive retail area

Being on the border of the Makati CBD, the building is more than a kilometer away from Glorietta and Greenbelt. Having its own retail podium that is sizeable gives not only the building locators an option for food and services, but also those other buildings which doesn't have their own retail area. It can also be an alternative retail location from Greenbelt and Glorietta for the buildings which are near the building.

7.2.4.2 WEAKNESSES

Centralized A/C System

The building's current A/C system is centralized, while some BPO tenants may use VRF as their A/C systems. Ayala North Exchange Buildings' usage are sub-metered.

7.2.4.3 OPPORTUNITIES

Limited hotel room count within the CBD

With the closure of Mandarin Oriental and Intercontinental Hotel Manila a few years back, the number of serviced apartments within the Makati CBD is limited, with only Makati Shangri-La, Raffles, Fairmont, New World Hotel, Peninsula Manila and Discovery Primea serving the hotel demand. Adding a 293-room hotel within the building will increase likeability, as these hotels are at a distance from the building which is on the other side of the CBD. Occupancy levels of the hotels in the Makati CBD are also very high, due to the high demand from the businessmen, and limited supply. The Seda Hotel which will be put will gain from these, as it will help address the growing demand of hotel rooms.

Low vacancy in Makati CBD

Makati CBD vacancy rates has been below 5% since 2011, which indicates continued strong demand, even with the limited new supply coming in. Grade A buildings, which is the classification of Solaris One, is currently at 2% vacancy.

Limited PEZA buildings in Makati

Because of the government's drive to push offices to open outside of Metro Manila, there are very minimal PEZA Accreditations that have been released not only in Makati CBD, but also all around the Metro. Being PEZA accredited, Solaris One will be a sought-after building, as most of the outsourcing companies, as well as some MNCs still prefer to be in PEZA Accredited buildings.

New industries entering the market and looking for office spaces

Other than the typical BPO and traditional companies scrambling for office spaces in Makati CBD, new industries such as flexible workspaces and FinTech (financial technology) companies have also been observed to be entering the market and getting significant spaces in different buildings; from Premium to Grade Bs.

Near the Proposed Makati Subway Station

Ayala North Gate is located within a few hundred meters from one of the stations of the proposed Makati Subway Station – Makati Fire Station. This would further increase accessibility and add transportation options to the employees and visitors of the building. Ease of going in and out of Ayala North Exchange will improve further.

7.2.4.4 THREATS

Other new buildings in Makati CBD

As with any development, newer buildings with new technology, infrastructure and certifications will be a threat. While Ayala North Exchange is superior in terms of location, branding and accessibility, it has to still be competitive in terms of technical specifications, and other soft services especially with tenants becoming more demanding with regards to the office space they are looking for.

Fort Bonifacio, Makati Fringe and all other CBDs

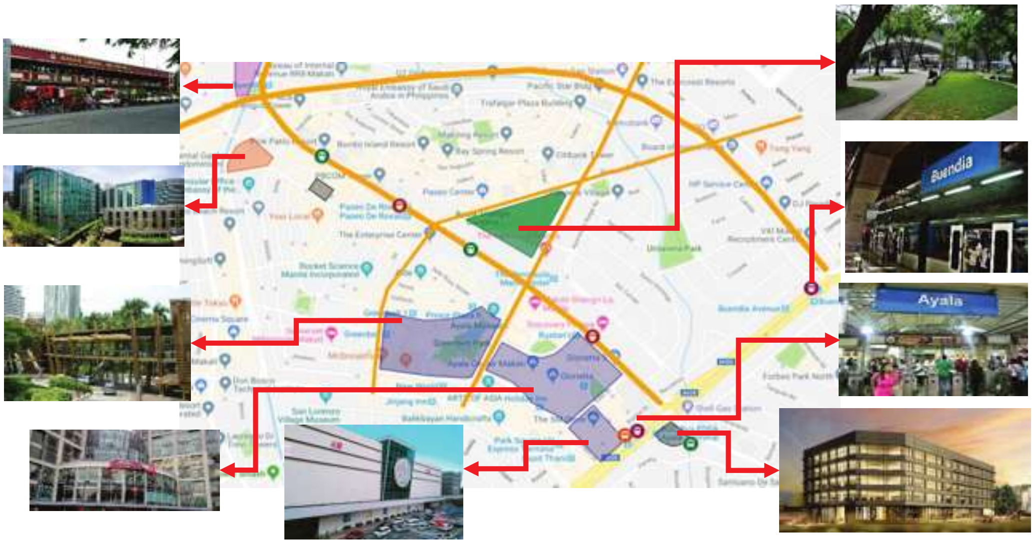
Development of other CBDs is also a threat, as these have been trying to catch up with the status of Makati CBD as the premier CBD. Fort Bonifacio with all the modern and new buildings have been getting lots of traction, with some MNCs consolidating their offices in new buildings there. Competitive rates, good handover conditions and improved technology and efficiency were some of the factors they moved. Ayala North Exchange is also very near the Makati Fringe area, and buildings in the Makati Fringe have also improved in terms of design and finishes.

Work from home

With the Telecommuting Act now signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might have some slowdown due to this, as workers can now work from home, and the number of seats can now be lessened, or maintained, even as the companies expand. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

7.3 SITE 3: MCKINLEY EXCHANGE CORPORATE CENTER

7.3.1 LOCATION AND VICINITY



McKinley Exchange Corporate Center is situated in between the two (2) most prominent CBDs in the country: Makati CBD and Fort Bonifacio. It is bounded by EDSA, and McKinley Road, both of which are accessible for both private and public vehicles. It is very near Ayala Center, which is only a few meters away, after crossing EDSA, and is just a stone throw's away from all public utility vehicle stations such as the Ayala Bus Stops, MRT 3 Ayala Station and the BGC Bus Station. However, it is not connected to the rest of the Ayala-developed CBD, as it is on the other side of EDSA.

Below are the significant landmarks in Makati CBD, and its distance from the site.

McKinley Exchange	Distance in KM	Distance in Minutes (by Walking)
Ayala Triangle Gardens	1.4	19 mins
Makati Medical Hospital	2.3	31 mins
Makati Post Office / Fire Station	2.3	32 mins
Greenbelt	1.5	20 mins
Glorietta	0.55	8 mins
SM Makati	0.50	7 mins
MRT Ayala Station	0.09	1 min
MRT Buendia Station	0.85	11 mins

McKinley Exchange	Distance in KM	Distance in Minutes (by Walking)
Nearest Bus Loading Station	0.05	1 min
Nearest Bus Unloading Station	0.5	1 min

7.3.2 GENERAL DESCRIPTION OF THE PROPERTY

McKinley Exchange Corporate Center	
Address	McKinley Rd cor. EDSA
Land Area	
Zoning	C-1A (Low Density Commercial Zone)
	This zone shall be used primarily for Mixed-Use and commercial developments on a local scale
Primary Allowable Uses	Uses allowed in R-2 and R-3 Zones, Hotels, Colleges / Universities / Educational center, specialty school / training facility, auditorium / performance center, convention/meeting facility, convent/seminary and related uses, health center/clinic, sports club / gym and sports facilities, nursing / convalescent home, hospital / medical center, specialty studios, showroom/display store, convenience retail / supermarket / grocery, wet/dry market, office support service, bank/atm, insurance and money exchange service, funeral / memorial services, auto-related shops, transit station, home office, petrol filling station, small scale home industry, computer / information technology related activity.
Allowable Floor Area Ratio	Not more than FAR five (5)

7.3.3 COMPETITION ANALYSIS

	McKinley Exchange	Blakes Tower	Century Spire	Multinational Bancorporation Tower	6750 Ayala Avenue
Address	EDSA cor. McKinley Road, Makati City	Cor. Chino Roces Ave., Yakal & Malugay	Kalayaan Avenue	6805 Ayala Avenue	6750 Ayala Avenue, Ayala Center
Building Grade	A	A	A	A	A
Completion Date	Completed (2015)	Q1 2020	Q4 2019	Completed (1996)	Completed (1993)
Gross Leasable Area*	9,633	12,496	14,757	18,238	29,844
Net Useable Area	9,633	11,246	-		29,844
Total Floors	5	36	22	23	24
Efficiency**	100%	90%	TBA	No data available	100%
Typical Floor Plate	2,800	1,136	777	859	1,978
Density Ratio	1:5	1:5	-	1:5	1:9
Back-up Power	100%	100%	100%	100%	100%
Rent	1,300	1,200	-	1,000	1,300
Basis of Rent	GLA	Gla	GLA	GLA	GLA
PEZA	Yes	Under Process	Yes	Yes	Yes
Certifications (LEED / Well)	None	None	None	None	None
A/C Type	Centralized	VRF	VRF	Centralized	Centralized
A/C Charges	Sub-metered	Sub-metered	Sub-metered	Sub-metered	Sub-metered
CUSA	193.26	120	TBA	150	134.93
Occupancy / Pre-leasing status	100%***	0%	For Sale	95%	95%

Source: Colliers International Research
** Based on Leasable Areas of OFFICE USE ONLY*
*** Efficiency is calculated as Net Useable Area divided by Gross Leasable Area*
**** based on Net Useable Area*

McKinley Exchange Corporate Center is a grade A building Built-To-Suit the needs of the outsourcing industry. Among the comparable set, it is the smallest, having a total leasable area of a little less than 10,000 sq. m. However, in terms of the floorplate, it has the smallest at 2,500 sq. m., a size just right for the BPO tenants.

It is PEZA-accredited, along with the other BPO buildings, and has a 100% occupancy rate, the highest among the five buildings. Its finishes, technical specifications and, experience are all at par with Ayala Land buildings, which makes it a nice Grade A building with affordable rent at Php1,300. CUSA dues are slightly higher at Php193 per sq. m. compared to the other buildings in the comparable set.

Note that Colliers base gross leaseable area of buildings from the floorplans provided by developers. It is computed by getting the total useable/carpeteable area, plus the common area. However for Solaris One, the computation does not include common areas. For older buildings which do not have floorplans, these are estimated based on broker communication with the developer/owner.

7.3.4 SWOT ANALYSIS

7.3.4.1 STRENGTHS

Accessibility

McKinley Exchange is along EDSA, which gives employees direct access to one of the major thoroughfares in all of Metro Manila. Bus loading and unloading stations are less than 100 meters away, as well as the MRT-3. The station of the buses going into BGC is also within a few meters walk, further increasing access of the building.

Visibility

Due to its location along EDSA and McKinley Road, McKinley Exchange Corporate Center has superior visibility, compared to other buildings. It being a corner lot and has a gas station in front makes it even more visible to all those who ply along EDSA and McKinley Road.

PEZA Accredited

The building is PEZA accredited, and the lack of PEZA accreditations being handed out to Metro Manila buildings has become an advantage to those who have gotten theirs earlier, most especially for buildings which target the outsourcing industry.

Sizeable floorplate

The typical floorplate of the building is more than the minimum requirement of the BPOs, for which it was made for.

Brand and track record

The building is owned and developed by Ayala Land, and with the brand and track record that the developer carries, tenants are ensured that what is promised will be delivered, and that the building will be built with integrity and quality.

7.3.4.2 WEAKNESSES

Centralized A/C System

The building's current A/C system is centralized, and while usage is sub-metered, BPO tenants still prefer VRF as their A/C systems.

Location as Makati Fringe

The building is located on the other side of EDSA, going into Bonifacio Global City. It is separated from the Makati CBD, but its address is still Makati. While BPO companies do not put as much weight as being in the CBD as traditional / multinational companies, rents of buildings located in the fringe are at a considerable discount as compared to those within, or just beside the CBDs. McKinley Exchange is in between two (2) CBDs.

Small windows

Due to the building's age, the windows are smaller than newer buildings with high glass ratio, with a slightly lower amount of natural light coming into the offices. With the move towards green initiatives and wellness among employees, the amount of natural light coming into the office becomes more and more important. However, some tenants still prefer lower glass ratio to reduce aircon consumption.

Above market CUSA Charges

McKinley Exchange charges the most expensive CUSA dues as compared to its competitors at Php193.26 per sq. m., it already charges near that of traditional buildings within Makati CBD.

7.3.4.3 OPPORTUNITIES

Limited PEZA buildings in Makati

Because of the government's drive to push offices to open outside of Metro Manila, there are very minimal PEZA Accreditations that have been released not only in Makati CBD, but also all around the Metro. Being PEZA accredited, Solaris One will be a sought-after building, as most of the outsourcing companies, as well as some MNCs still prefer to be in PEZA Accredited buildings.

New industries entering the market and looking for office spaces

Other than the typical BPO and traditional companies scrambling for office spaces in Makati CBD, new industries such as flexible workspaces and FinTech (financial technology) companies have also been observed to be entering the market and getting significant spaces in different buildings; from Premium to Grade Bs.

7.3.4.4 THREATS

Other new buildings in Makati CBD, Makati Fringe and Fort Bonifacio

As with any development, newer buildings with new technology, infrastructure and certifications will be a threat. McKinley Exchange Corporate Center will now have added competition within the CBDs and in the Fringe, targeting outsourcing companies as well. These newer buildings with new tech, better architecture and design will definitely be a threat for the development.

Work from home

With the Telecommuting Act now signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might have some slowdown due to this, as workers can now work from home, and the number of seats can now be lessened, or maintained, even as the companies expand. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

8 CAVEATS AND ASSUMPTIONS

1. Definitions

In these Caveats and Assumptions the following words or phrases shall have the meaning or meanings set out below:

'Confidential Information' means information that:

(a) Is by its nature confidential.

(b) Is designed by Us as confidential.

(c) You know or ought to know is confidential.

(d) Includes, without limitation: information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services.

'Currency Date' means, in relation to any valuation report, the date as at which our professional opinion is stated to be current.

'**Fee**' means the amount agreed to be paid for the Services as set out in the Quotation.

'**Parties**' means You or Us as the context dictates.

'**Quotation**' means the written quote provided by Us in relation to the Services.

'**Services**' means the valuation services provided pursuant to these Terms and Conditions and the Quotation, and includes any documents, reports or certificates provided by Us in connection with the Services.

'**The Property**' means the assets which are subject of our appointment as your advisor.

'**We**', '**Us**', '**Our**', '**Colliers**' means Colliers International Limited.

'**You**', '**Your**', '**Client**' means the person, company, firm or other legal entity by or on whose behalf instructions are given, and any person, firm, company or legal entity who actually gave the instructions to us even though such instructions were given as agent for another.

'**Professional Property Practice Standards**' refers to RICS Valuation and Appraisal Handbook, or appropriate standards.

2. PERFORMANCE OF SERVICES

2.1 We have provided the Services in accordance with:

(a) The Terms and Conditions contained herein; or

(b) As specifically instructed by You for the purpose of the Services; and

(c) Within the current provisions set by the prevailing Professional Property Practice Standards.

3. CONDITION OF THE PROPERTY

3.1 No allowance has been made in our report for any charges, mortgages or amounts owing on any neither of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale**.** We have assumed that the Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value, whether existing or otherwise, unless otherwise stated. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title which is assumed to be good and marketable. We are not aware of any easements or rights of way affecting the property and our valuation assumes that none exists.

3.2 We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of, all ordinances, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, and authorisations have been obtained, except only where otherwise stated.

3.3 We have assumed that any development sites are in a condition suitable for development; this has not been checked by us.

3.4 We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

3.5 We have assumed that there is no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues.

3.6 An internal inspection has been made; no detailed on site measurements have been taken.

3.7 While due care is exercised in the course of our inspection to note any serious defects, no structural survey of the

Property will or has been undertaken, and We will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible.

3.8 None of the services have been tested by Us and we are unable therefore to report on their present condition, but will presume them to be in good working order.

3.9 We have not undertaken a detailed inspection of any plant and equipment or obtained advice on its condition or suitability.

3.10 We recommend that You engage appropriately qualified persons to undertake investigations excluded from our Services.

3.11 No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.

4. ENVIRONMENT AND PLANNING

4.1 We have obtained only verbal town planning information. It is your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation.

4.2 We do not hold ourselves to be experts in environmental contamination. Unless otherwise stated, our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.

5. BUILDING AREAS AND LETTABLE AREAS

5.1 Where a survey is provided to Us for consideration, We will assume that information contained in the survey is accurate and has been prepared in accordance with the prevailing Professional Property Practice Standards.

5.2 If you do not provide Us with a survey, We will estimate building and/or lettable areas based only upon available secondary information (including but not limited to building plans, deposited plans, and our own measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the prevailing Professional Property Practice Standards.

5.3 Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation back to Us for comment or, where appropriate, amendment.

6. **OTHER ASSUMPTIONS**

6.1 Unless otherwise notified by You, We will assume:

(a) There are no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the Title.

(b) All licences and permits can be renewed and We have not made any enquires in this regard.

6.2 Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural/ dilapidation reports), we will rely upon the apparent expertise of such experts/ specialists. We will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.

6.3 Our services are provided on the basis that the client has provided us with a full and frank disclosure of all information and other facts which may affect the service, including all secrecy clauses and side agreements. We accept no responsibility or liability whatsoever for the valuation unless such a full disclosure has been made.

6.4 Any plans, sketches or maps included in this report are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.

6.5 The study of possible alternative development options and the related economics are not within the scope of this report.

6.6 Our opinion about the Market Value of the property is free from any influence and/ or point of views of any other parties.

7. **VALUATION FOR FIRST MORTGAGE SECURITY**

7.1 Where the Services are provided for mortgage purposes, You agree that You will not use the valuation report where the property:

(a) Is used as security other than by first registered mortgage;

(b) Is used as part of a group of securities (except where the property forms part of a trust); or

(c) Is used as security for more than one loan.

7.2 We reserve the right, at Our absolute discretion, to determine whether or not to assign Our valuation to any third party. Without limiting the extent of Our discretion, We may decline a request for assignment where:

(a) The proposed assignee is not a major recognised lending institution (such as a major bank);

(b) The assignment is sought in excess of 3 months after the date of valuation;

(c) We consider that there has been a change in conditions which may have a material impact on the value of the property.

(d) The proposed assignee seeks to use the valuation for an inappropriate purpose (including in a manner inconsistent with Your agreement at Clause 7.1); or

(e) Our fee has not been paid in full.

7.3 Where we decline to provide an assignment on either of the basis at 7.2(b) or (c), we may be prepared to provide an updated valuation on terms to be agreed at that time.

7.4 In the event that You request Us to assign Our valuation and We agree to do so, You authorize Us to provide to the assignee a copy of these Terms and Conditions, the Quotation and any other document, including instructions provided by You, relevant to the scope of Our Services.

8. ESTIMATED SELLING PRICE

8.1 Where you instruct Us to provide an Estimated Selling Price, You agree that the Services:

(a) Are limited to the provision of an opinion based on Our knowledge of the market and informal enquiries

(b) We are not required to carry out a full inspection of the property; any inspection of comparable properties; a search of Title(s) or other enquiries as to encumbrances, restrictions or impediments on Title(s); or other investigations which would be required for a formal valuation.

(c) Provide an indicative figure only which is not suitable for use for any purpose other than as general information or guide as to sale expectations. It is not suitable to be relied upon for the purpose of entry into any transaction.

8.2 No responsibility will be accepted either to You or to any third party for loss or damage that may result from the issue of such an Estimated Selling Price.

9. CURRENCY OF VALUATION

9.1 Due to possible changes in market forces and circumstances in relation to the property the Services can only be regarded as relevant as at the Currency Date.

9.2 Where You rely upon Our valuation report after the Currency Date, You accept the risks associated with market movements between the Currency Date and the date of such reliance.

9.3 Without limiting the generality of 9.2, You should not rely upon Our valuation:

(a) After the expiry of 3 months from the Currency Date;

(b) Where circumstances have occurred during that period which may have a material effect on the value of the property or the assumptions or methodology used in the valuation report.

10. MARKET PROJECTIONS

10.1 Any market projections incorporated within our Services including, but not limited to, income, expenditure, associated growth rates, interest rates, incentives, yields and costs are projections only and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.

10.2 Where Our Services include market projections such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.

10.3 Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.

11. YOUR OBLIGATIONS

11.1 You warrant that the instructions and subsequent information supplied by You contain a full and frank disclosure of all information that is relevant to Our provision of the Services.

11.2 You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.

11.3 You authorise and license Us to incorporate Your intellectual property within Our report(s).

11.4 You will not release any part of Our valuation report or its substance to any third party without Our written consent. Such consent will be provided at Our absolute discretion and on such conditions as We may require including that a copy of these Terms and Conditions be provided to such third party. This clause shall not apply to persons noted as recipients in Your prior instruction to Us or in the Quotation provided that You shall provide any such recipient with a copy of these Terms and Conditions.

11.5 We reserve the right to reconsider or amend the valuation advice, or the Fee set out in Our Quotation to You, if;

(a) Certificates, surveys, leases, side agreements or related documentation that were not provided to Us prior to the provision of the Services are subsequently provided, and contain matters that may affect the value of the advice; or

(b) Where subsequent site inspections made in relation to any of the matters raised in Clause 3 materially affect or may alter the value of the property, the subject of the Services.

11.6 If You release any part of the valuation advice or its substance without written consent, You agree: a) to inform the other person of the terms of our consent; and b) to compensate Us if You do not do so. We have no responsibility to any other person even if that person suffers damage as a result of any other person receiving this valuation.

12. CONFIDENTIALITY

12.1 This report and each part of it is prepared and intended for the exclusive use of the Client for the sole purpose outlined in Our agreement and for inclusion into the Offering Circular of Ayala Land Offices thru BPI Capital. No person other than the Client shall use or rely upon this report or any part of it for any purpose unless we have given Our express written consent. Similarly neither the whole nor any part of this report nor any reference there to may be included in any document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

12.2 If consent to disclose the Confidential Information is provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.

12.3 You agree that You will indemnify, hold harmless and defend Us from and against any and all loss, liability, costs or expenses (including but not limited to professional or executive time) We may suffer or reasonably incur, directly or indirectly, as a result of a breach of this clause.

12.4 Unless otherwise directed in writing by Client, Colliers International retains the right to include references to the Services in its promotional material. Such references shall not contain confidential material.

13. PRIVACY

13.1 We may obtain personal information about You in the course of performing Our Services. We respect your privacy and advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.

14. SUBCONTRACTING

14.1 We may sub-contract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these Terms and Conditions, with Your consent.

15. LIMITATION OF COLLIERS LIABILITY

15.1 To the extent permissible under applicable laws, in no event shall Colliers International be liable to Client or anyone claiming by, through or under Client, including insurers, for any lost, delayed, or diminished profits, revenues, production, business, use or opportunities, or any incidental, special, indirect, or economic losses, wasted costs, diminution of value or consequential damages, of any kind or nature whatsoever, however caused.

15.2 All the costs and benefits forecasted will, ultimately, be determined by future market conditions. Forecasts of these elements are based on assumptions of certain variable factors, which, in turn, are extremely sensitive to changes in the market and economic contexts. For this reason, the figures mentioned in this report were not computed under any known or guaranteed conditions. Rather, these are forecasts drawn from reliable sources of data and information and made in the best judgment and professional integrity of Colliers International. Notwithstanding this, Colliers International reiterates that it will not accept any responsibilities in the face of damage claims that might result from any error, omission or recommendations, viewpoints, judgments and information provided in this report.

15.3 Colliers International, or any employee of Ours shall not be required to give testimony or to appear in court or any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we are properly reimbursed.

15.4 We are free from any possible legal and/ or non-legal issue which may attach to the Property's title documents.

16. ENTIRE AGREEMENT

16.1 No further agreement, amendment or modification of these Terms and Conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.

16.2 If there is inconsistency between these Terms and Conditions and the Quotation, any letter of instruction from You, or other specific request or information shall prevail to the extent of the inconsistency.

ANNEX 4

Market Study on the Office Sector in Selected Areas in Cebu

(FINAL DRAFT)

28 JUNE 2020

Prepared by:
Theresa Teodoro
Karla Domingo

Prepared for:
AREIT, Inc. thru
BPI Capital

Accelerating success.

Colliers International Philippines, Inc.
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Our Ref: CIP/CONS20-005

28 June 2020

AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1226

Attn: Ms. Carol T. Mills and Ms. Elaine Marie F. Alzona:

Re: Market Study on the Office Sector in Selected Areas in Cebu (the 'Project')

With reference to your instructions received on January 2020, we have prepared the Market Study on the Office Sector in Selected Areas in Cebu (the "Project") for your perusal. As we understand, this report is for the market study portion of the Company's Initial Public Offering.

The market report is enclosed herewith.

Yours faithfully,

For and on behalf of
Colliers International Philippines, Inc.

Theresa Teodoro
Director
Valuation and Advisory Services

Accelerating success.

TABLE OF CONTENTS

1 INTRODUCTION

1.1 INSTRUCTIONS

This report has been prepared upon the instructions of AREIT Inc., through BPI Capital (the "Client") to prepare a Market Study on the Metro Manila and Cebu office sector. It covers the office market in Metro Manila, with focus on Fort Bonifacio and Makati CBD, while for Cebu, the focus is mainly on Cebu Business Park and Cebu IT Park. We understand that the Client will use the report as a portion of the Client's Initial Public Offering

1.2 INFORMATION SOURCES

The information provided in this report has been obtained from the Client, applicable government bureaus, other public information sources and our internal database.

1.3 CAVEATS AND ASSUMPTIONS

This report is subject to our Standard Caveats and Assumptions as set out in Section 7.

2 OVERVIEW OF CEBU PROVINCE

2.1.1 ECONOMY

2.1.1.1 GROSS REGIONAL DOMESTIC PRODUCT

In 2017, Region VII or Central Visayas contributed 6.4% to the country's GDP at a growth of 5.1% during the period 2016 to 2017, slower than the national GDP growth by 1.6%.

Average real per capita GRDP of Central Visayas went up by 3.4%, recording 71,677 pesos in 2017 from P69,315 in 2016. The country's per capita GRDP had a higher increase at 4.9% or P82,592 in 2017 versus P78,676 in 2016.

REGION / YEAR	2015*	2016*	2017*	% Share	% Growth (16-17)
Philippines	**7,600,175,069**	**8,122,741,433**	**8,665,707,506**		**6.70%**
National Capital Region	2,770,552,677	2,976,234,624	3,158,081,656	36.40%	6.10%
Region VII - Central Visayas	**482,898,676**	**524,597,384**	**551,179,952**	**6.40%**	**5.10%**

**At constant 2000 prices*
Source: Philippine Statistics Authority

Cebu Province serves as the economic and educational hub of Central Visayas as well as the gateway to destinations in Southern Philippines. According to the Philippine Statistics Authority, main drivers of growth in 2017 are Agriculture and Forestry, Public Administration and Defense (PAD), Compulsory Social Security, Real Estate, Renting and Business Activities (RERBA), and Financial Intermediation (FI).

Service sector continues to have the biggest contribution to the region's GRDP, covering 56.3% of the economy as it grew by 6.3% from 2016. Of all the sectors under Services, top 3 contributors are PAD which had the biggest growth at 8.4%; RERBA at 7.9%; and FI at 7.7%.

It is followed by Industry sector with 38.2%, however its growth rate declined from 14.1% in 2016 to only 3.0% in 2017. All of its sectors slowed down except for Electricity, Gas, and Water Supply (EGWS) which contracted at 0.9%.

Lastly, Agriculture sector covered the remaining 5.5% and showed the fastest growth as it rebounded from -0.2% growth in 2016 to 7.0% in 2017. Agriculture and Forestry accounted for the highest growth at 9.6%.

2.1.1.2 BANKING INDUSTRY

Banking statistics from the Philippine Deposit Insurance Corporation (PDIC) showed that Cebu Province has a total of 595 banks as of June 2018, with majority located in Cebu City (42%) since this is the center of business, 16% in Mandaue City, and 9% in Lapu-Lapu City. In terms of growth, the period 2011 to 2017 showed a 5% annual growth rate for Cebu Province, with Lapu-Lapu City having the highest among the three (3) cities as it got 7% per year.

	2014	2015	2016	2017	Jun-18	% of total	CAGR
Cebu Province	444	459	489	565	595	100%	5%
Cebu City	210	220	233	237	247	42%	3%
Lapu-Lapu City	34	34	36	89	52	9%	7%
Mandaue City	71	71	75	50	93	16%	5%

Source: Philippine Deposit Insurance Corporation

For deposits, the average amount per account in Cebu Province showed a growth rate of 7% annually for the same period and yielded 192 deposits per account as of June 2018. Like the number of banks, Cebu City with an average of 243 deposits per account had the biggest figure, while Lapu-Lapu City with 138 deposits per account had the fastest growth at 11% annually.

	2014	2015	2016	2017	Jun-18	CAGR
Cebu Province	174.4	188.7	196.3	193.6	192	7%
Cebu City	210.7	232.1	245.9	245.9	243.2	7%
Lapu-Lapu City	174.3	162.8	151.2	202.3	138.3	11%
Mandaue City	169.4	177.4	184.4	140.2	200.5	7%

Source: Philippine Deposit Insurance Corporation

2.1.2 DEMOGRAPHY

2.1.2.1 POPULATION

Based on the latest release from the Philippine Statistics Authority in December 2015, the province of Cebu has a total population of 4.63 million with an annual growth rate of 2.14% since 2010. The most populated out of the three (3) cities is Cebu City, covering 20% of the total population in the province. In terms of density, Mandaue City was revealed to be the densest with 10,000 persons per square kilometer despite it having the smallest population and average household size. Lastly, household size for the entire province stood at 4.4 persons, closest to Cebu City with 4.3 and furthest from Mandaue City with only 3.8.

	Total Population (2015)	Household Population	Number of Households	Ave. Household Size	Population Density
Cebu Province	4,632,359	4,604,842	1,077,223	4.4	870
Cebu City	922,611	910,678	213,781	4.3	2,900
Lapu-Lapu City	408,112	406,353	99,573	4.1	7,000
Mandaue City	362,654	359,777	94,547	3.8	10,000

Source: Philippine Statistics Authority

Since 1970, the population of Cebu Province has been growing by 2.4% every year, with Cebu City consistently covering at least 20% of the population. While figures are far from that of Cebu City, growth rates of Lapu-Lapu and Mandaue have been much faster as it doubled to 4% annually.

	1970	1980	1990	2000	2010	2015	CAGR
Cebu Province	1,634,182	2,091,203	2,640,574	3,356,137	4,167,320	4,632,359	2.40%
Cebu City	347,116	490,281	610,417	718,821	866,171	922,611	2.20%
Lapu-Lapu City	69,268	98,324	146,194	217,019	350,467	408,112	4.10%
Mandaue City	58,579	110,590	174,342	259,728	331,320	362,654	4.20%

Source: Philippine Statistics Authority

2.1.2.2 HOUSING

Housing units in Cebu Province grew at 3% every year since 1990, slightly higher than the population's growth rate of 2%. Among the three (3) highly urbanized cities in the province, Lapu-Lapu has the fastest rate at 5% which may be attributed to the rise of leisure-oriented residential developments here. Overall, the historical trend shows persistent strong housing demand in the province.

	1990	2000	2010	2015	CAGR
Cebu Province	496,661	664,640	905,158	1,058,512	3%
Cebu City	109,556	142,406	188,098	204,409	3%
Lapu-Lapu City	26,360	43,594	79,976	92,557	5%
Mandaue City	33,026	53,456	76,841	98,907	4%

Source: Philippine Statistics Authority

In terms of housing tenure, Cebu Province registered an 84% ownership of the total occupied residential units, while renters make up 15% of the total – where 11% are paying renters and 4% are rent-free.

Overall predominant unit type are single houses, comprising 84% of the total units, followed by multi-unit residential (9%) and duplex (6%) housing units.

	Single House	Duplex	Multi-Unit Residential	Other Housing Units	Not Reported	Total
Owned / Being Amortized	90%	5%	5%	0%	0%	**84%**
Rented	45%	13%	43%	0%	0%	**11%**
Rent-Free with Consent of Owner	74%	11%	15%	1%	0%	**4%**
Rent-Free without Consent of Owner	82%	7%	10%	0%	0%	**0%**
Not Applicable	0%	0%	0%	100%	0%	**0%**
Not Reported	82%	0%	18%	0%	0%	**0%**
Overall	**84%**	**6%**	**9%**	**1%**	**0%**	

Source: Philippine Statistics Authority

Cebu City meanwhile has a lower ownership percentage, as only 59% of the total occupied residential lots are owned or are being amortized by the occupiers. Renters meanwhile make-up 34%, with 41% of the 34% are paying renters, while the remaining 7% are rent-free. 1% of the 34% are considered as illegal settlers.

Lapu-Lapu City registers a higher ownership status compared to Cebu City, but still below the provincial percentage of 63%. Renters are at 31%.

Mandaue City, among all areas, has the lowest percentage of ownership, at only 45%. Renters meanwhile are more predominant, having 46% of the households being classified under this category.

2.1.3 UPCOMING INFRASTRUCTURE

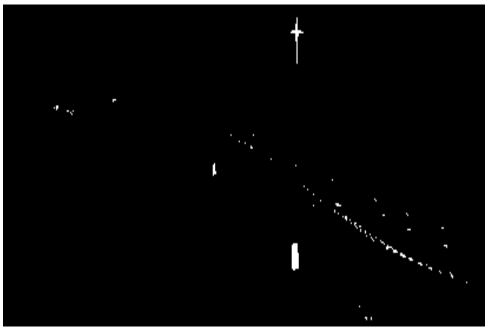
2.1.3.1 MACTAN-CEBU INTERNATIONAL AIRPORT TERMINAL 2

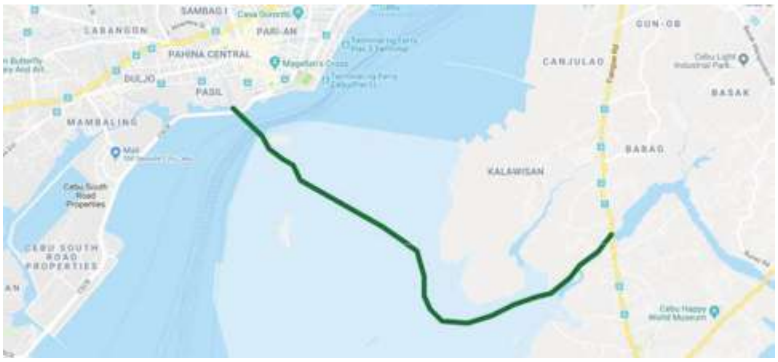
Operational since July 2018, Mactan-Cebu International Airport (MCIA) Terminal 2 covers 65,000 square meters with designs credited to Hong Kong-based Integrated Design Associates and top Filipino designers Budji Layug, Royal Pineda, and Kenneth Cobonpue. The P17.5 billion “resort-airport” will have 72 check-in counters and around 7 to 12 boarding bridges for commercial airplanes, expected to double passenger capacity from its current 6 million to about 12.5 million.


Source: Google Images

2.1.3.2 CEBU-CORDOVA EXPRESSWAY LINK

The Cebu-Cordova Expressway Link (CCLEX) is an 8.25-kilometer cable-stayed bridge that will link Cebu and Mactan Island through Cordova, in order to address the current traffic congestion in the Mactan-Mandaue and Marcelo Fernan bridges. It will feature two lanes in each direction that will serve approximately 40,000 vehicles per day, starting at Cebu South Coastal Road Tunnel and ending at the Mactan-Cebu Circumferential Road in Barangay Pilipog, Mactan Island. This joint venture between Metro Pacific Tollways Development (MPTDC) and the local governments of Cebu City and Cordova has an estimated cost of P27.9 billion and is slated for completion in 2022.



Source: Google Images, Colliers International Research

2.1.3.3 METRO CEBU INTEGRATED AND INTERMODAL TRANSPORTATION SYSTEM

Recently approved by the NEDA-ICC, the Metro Cebu Integrated Intermodal Transport System (MCIITS) is a project by the DOTr that is expected to be operational by 2020, particularly certain segments of the Light Rail Transit (LRT) and the Bus Rapid Transit (BRT).

Phase 1 of the MCIITS are the LRT, BRT, and their common stations, intended to address the worsening traffic congestion in Metro Cebu. The BRT is now in the detailed engineering design stage while the LRT is in the proposal evaluation stage. Projects under the MCIITS are as follows: a Point-to-point (P2P) bus system, a monorail in Lapu-Lapu City; a BRT in three-lane roads, a LRT system from Carcar to Danao and Mandaue City to the airport in Lapu-Lapu City, and an Intelligent Transportation System.

2.1.3.4 CEBU BUS RAPID TRANSIT

Source: Google Images, Colliers International Research

As the 1st phase of the Integrated Intermodal Transport System (IITS) project in Metro Cebu, the Cebu Bus Rapid Transit (BRT) will span a 23-kilometer corridor covering Natalio Bacalso Avenue in Barangay Bulacao to Gov. M. Cuenco Avenue in Barangay Talamban, with a total of 33 stations with 176 buses. Originally budgeted at P10.6 billion in 2014 by the Department of Transportation (DOTr), its estimated cost went up to P16.9 billion in 2017 because of road right-of-way acquisition (RROW) cost. After years of delay, an official of DOTr said in 4Q 2018 that the civil works shall commence on the second quarter of 2019 and would be operational by 2020.

2.1.3.5 CEBU LRT

Source: Google Images, Colliers International Research

According to DOTr, a consortium of Chinese, Singaporean and Filipino investors formally submitted an unsolicited proposal to construct a $3-billion light rail transit system with a subway component in Cebu City. The LRT system is said to be constructed above the ground from Talisay to Carcar and from Mandaue to Danao, including an airport line from Mandaue to the Mactan Cebu International Airport complex.

The project's first phase will have two lines – the Central Line and the Airport Line which will have a bridge crossing from Cebu's mainland to Mactan Island – and the second phase will be the commuter rail. Implementation will be subject to several factors like economic, population, and future modern transport needs, among others. Target completion for all site works is 2022.

2.1.3.6 NEW CEBU CONTAINER PORT

Source: Google Images

The New Cebu International Container Port (NCICP) with an estimated total project cost of P10.1 billion will be built on a 25-hectare reclaimed land in the town of Consolacion. It will include a berthing facility with 500-meter long quay that can simultaneously accommodate two 2,000 TEU (Twenty-foot Equivalent Unit) vessels; operating facilities and structures for containers, such as a freight station and an inspection shed; an access road and bridge; and a dredged waterway and turning basin. Seen as a long-term resolution for the continuously growing volumes in the current port, this new port is expected to be ready by 2022.

2.1.3.7 CEBU-NEGROS BRIDGE & CEBU-BOHOL BRIDGE

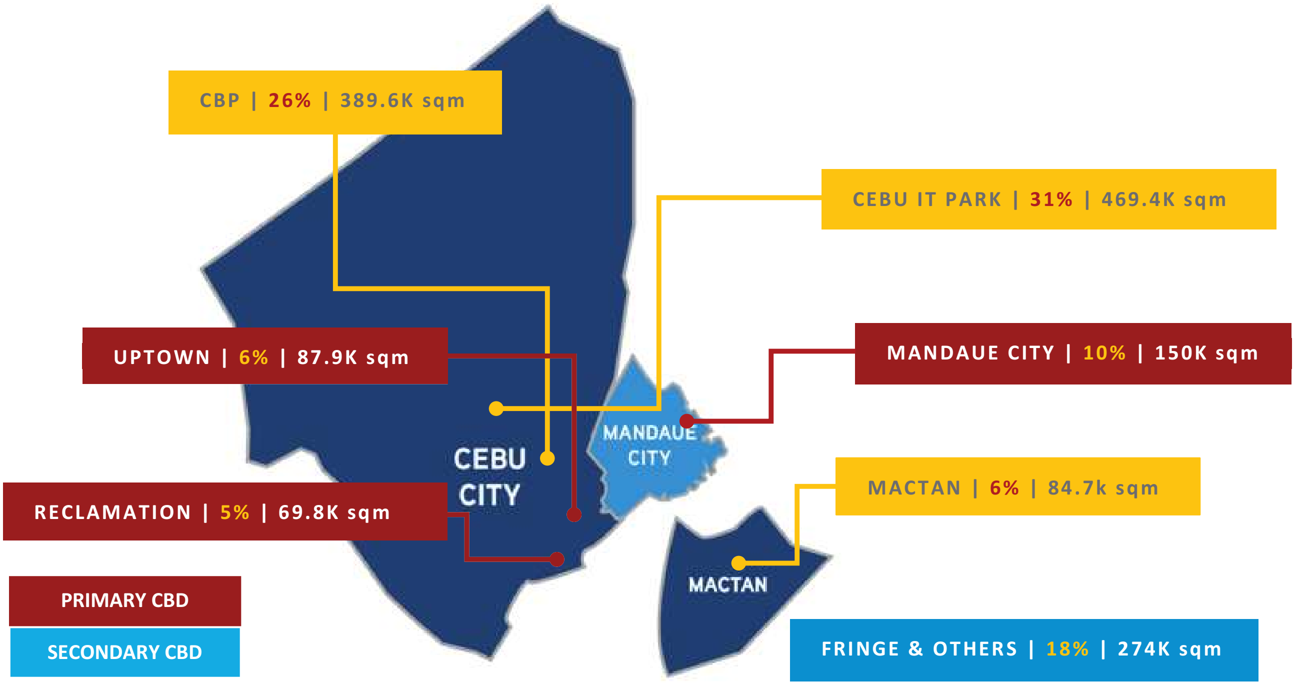
Source: Google Images

The government plans to build eight bridges worth at least P269 billion that would link the Visayas to Luzon and Mindanao, with two out of eight situated in Cebu.

The Negros-Cebu Link Bridge, a 5.5-km bridge that would link Negros and Cebu, is expected to reduce travel time from 40 mins (using RORO) to only 10 minutes. The Cebu-Bohol Link Bridge, a 24.5-km bridge linking Cebu and Bohol, is expected to reduce travel time from 2 hours and 10 minutes (using RORO) to only 30 minutes.

3 METRO CEBU OFFICE MARKET OVERVIEW

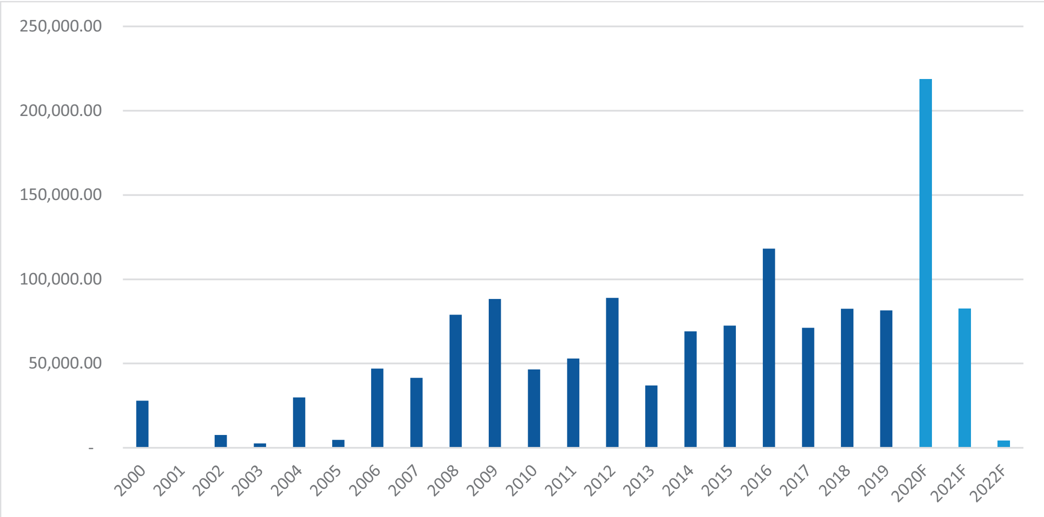
This office market overview covers the major business districts of the three (3) largest cities in Cebu; Cebu City, Lapu-Lapu City and Mandaue City, with focus on Cebu Business Park and Cebu IT Park.



Source: Colliers International Research

3.1.1 OVERALL METRO CEBU OFFICE STOCK

As of the end of 2019, a total of 1.16 million sq.m of gross leasable space have been completed in Metro Cebu, which had a steady stream of supply since 2002. The province grew ten-fold since then, from having a little less than 100,000 sq.m. in 2001, to the current figures of 1.16 million sq.m. with a compounded annual growth rate of 13.7% being recorded for the past two (2) decades.



Source: Colliers International Research

Among the several locations, Cebu IT Park (CITP) which commands the largest share in office stock with 35.7% amounting to 399,145.68 sq.m. This is closely followed by Cebu Business Park (CBP) with a 29.4% share or 328,466.86 sq.m. of office space. The fringe areas of these two (2) CBDs add another 7.2%, only a little less than Mandaue (8.6%) and Mactan's 7.6%

By the end of 2022, CITP is still expected to be the most dominant CBD in terms of office stock, having a total leasable space of almost 470,000. That is an 18.6% growth from its 2019 figures. Cebu Business Park will also remain at the 2nd spot, albeit a reduced share of 27.4%, amounting to 390,000 sq.m of office space. Largest growth will be seen on the fringes of the primary CBDs, mainly CBP fringe (164.2% growth), and the North Reclamation Area (53.7% growth).

	End-2019	2020F	2021F	2022F	As of End-2022F	Change (2019 vs 2022F)
Cebu Business Park (CBP)	328,466.86	43,291.00	17,860.00	-	389,617.86	18.6%
CBP Fringe	59,557.00	97,782.00	-	-	157,339.00	164.2%
Cebu IT Park (CITP)	399,145.68	52,090.00	18,200.00	-	469,435.68	17.6%
CITP Fringe	20,872.00	-	-	-	20,872.00	-
F. Cabahug	-	-	22,100.00	-	22,100.00	-
Mactan	84,690.80	-	-	-	84,690.80	-
Mandaue	76,674.76	25,516.00	-	-	102,190.76	33.3%
Mandaue Fringe	19,913.87	-	-	-	19,913.87	-
Reclamation Area	45,433.15	-	24,377.08	-	69,810.23	53.7%

	End-2019	2020F	2021F	2022F	As of End-2022F	Change (2019 vs 2022F)
Uptown	83,474.90	-	-	4,400.00	87,874.90	5.3%
Grand Total	**1,118,229.02**	**218,679.00**	**82,537.08**	**4,400.00**	**1,423,845.10**	**27.3%**

Source: Colliers International Research

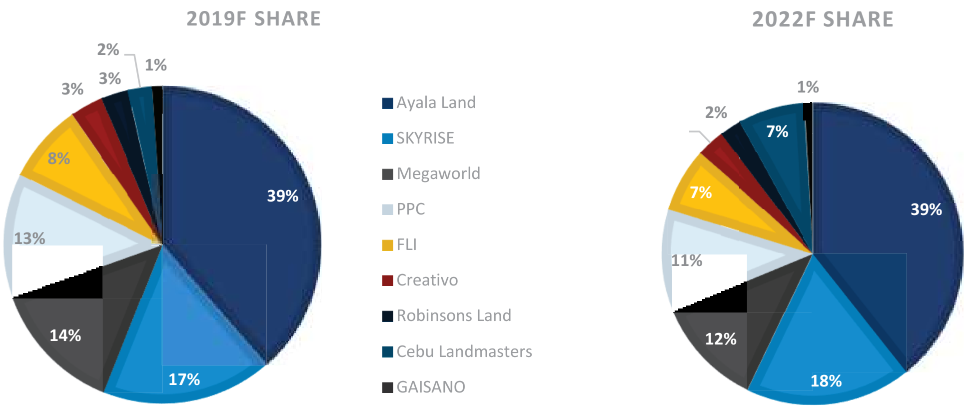
3.1.2 TOP DEVELOPERS

Ayala Land, including its affiliate company, Cebu Holdings Inc., has the biggest share of the market, accounting for 38.6% share or 257,428.41 sq.m. Local developer Skyrise, known for their Skyrise Buildings in IT Park is at 2nd place, with a total stock of 116,000 sq.m. Megaworld, the developer of Mactan Newtown meanwhile has a 13.5% share at the end of 2019.

In 2022, Ayala Land will continue to hold its position as top developer in terms of gross office space, further increasing its share to 39.3%. Skyrise will also increase its market share, from 17.4% to 17.7% in 2022. The biggest jump in terms of increase in their respective office stocks will be Cebu Landmasters, adding almost 40,000 sq.m of gross office space, and upping their share from 2.4% to 7.1%.

Developer	Total Supply as of End-2019 (GFA, in sq.m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq.m.)	Market Share (End-2022F)
Ayala Land	257,428.41	38.6%	303,761.91	39.3%
SKYRISE	116,000.65	17.4%	136,930.65	17.7%
Megaworld	90,061.38	13.5%	90,061.38	11.7%
PPC	84,763.41	12.7%	84,763.41	11.0%
FLI	53,640.92	8.1%	53,640.92	6.9%
Creativo	22,910.59	3.4%	22,910.59	3.0%
Robinsons Land	18,355.69	2.8%	18,355.69	2.4%
Cebu Landmasters	16,106.00	2.4%	54,794.33	7.1%
GAISANO	6,877.00	1.0%	6,877.00	0.9%
Subtotal	**666,144.05**	**100.0%**	**772,095.88**	**100.0%**
Others	***626,317,33***		***930,321.04***	
Grand Total	**1,292,461.38**		**1,702,416.92**	

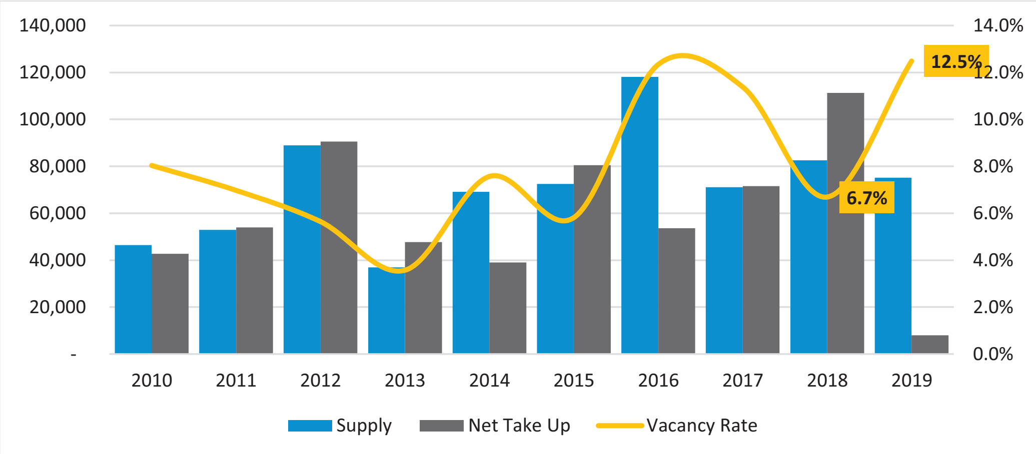
Source: Colliers International Research



3.1.3 OVERALL SUPPLY AND DEMAND

Metro Cebu has been averaging around 65,500 sq.m. of take-up each year, with 2018 having the largest recorded net take-up at a little over 111,000 sq.m. of leased space. This was the year that the POGOs entered the market.

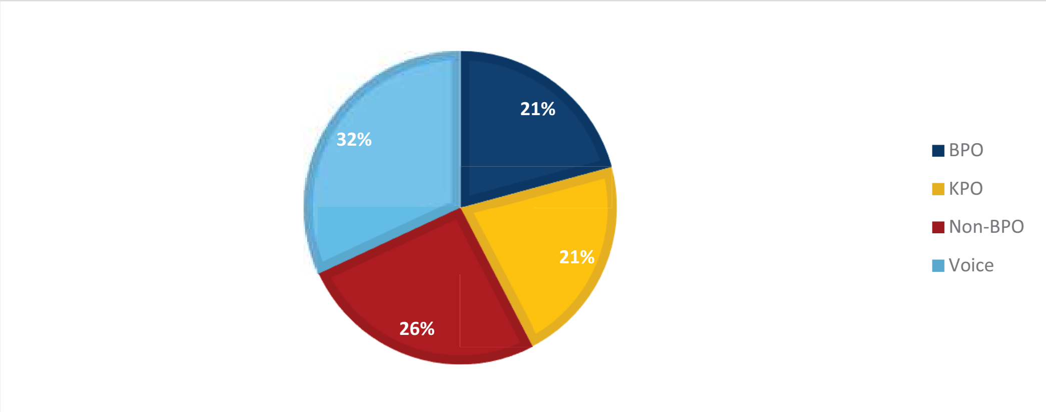
Vacancy increased from 6.7% in 2018 to 12.5% in 2019 primarily due to the completion of several buildings, three (3) of which are outside the established CBDs.



Source: Colliers International Research

In 2019, Cebu IT Park accounted for majority of the transactions, with 56.0% of the total 51,000 transactions being recorded in that location. This was closely followed by Cebu Business Park, with 43.0% and Mactan and Mandaue having minimal share.

Voice still dominated the transactions, with 31.9%, followed by the 25.7% of the non-BPO tenants. KPOs and BPOs approximately account for around 21.0% each. Cebu is the 2nd largest outsourcing hub in the Philippines.



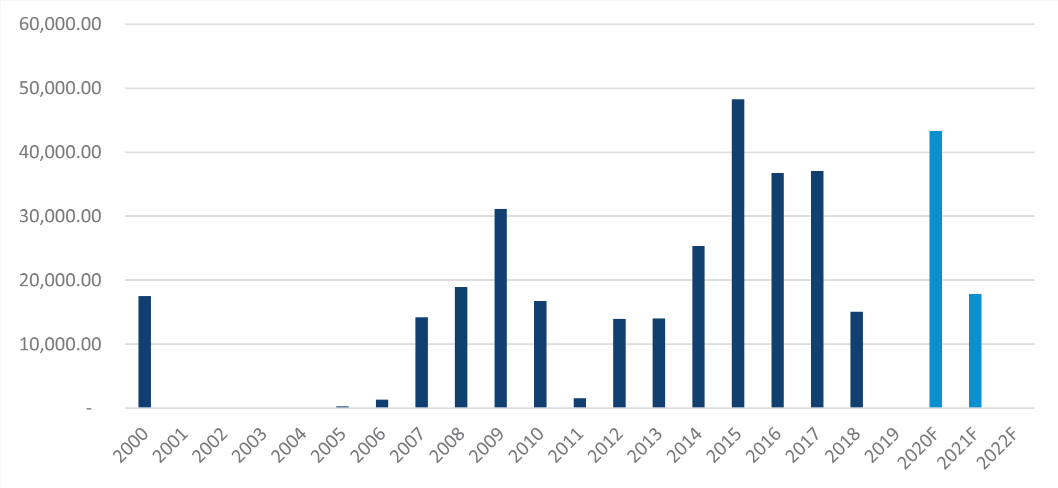
Source: Colliers International Research
** Based on size of transaction*
*** Lower value services that don't need professional skills/certification and licenses*
Does not include undisclosed tenants

4 OFFICE FOR LEASE MARKET RESEARCH

4.1 CEBU BUSINESS PARK

4.1.1 CEBU BUSINESS PARK SUPPLY AND DEMAND

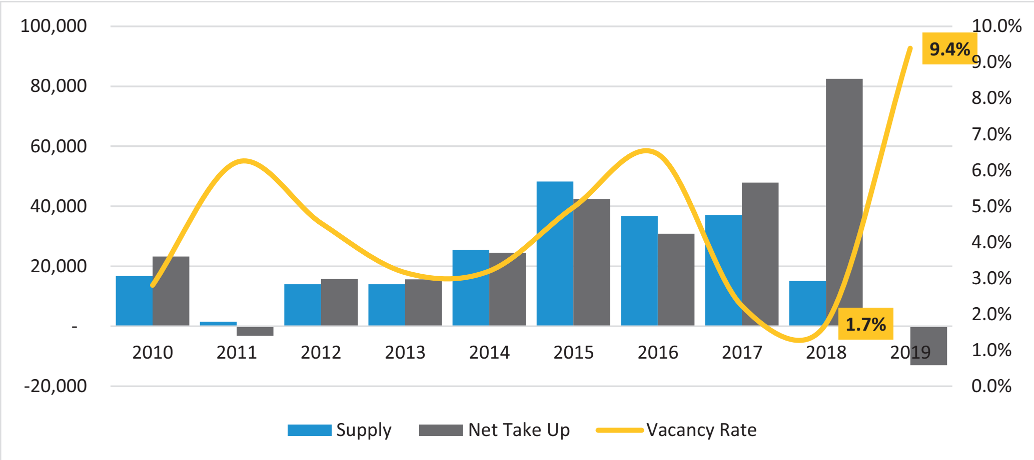
There were no completions for Cebu Business Park in 2019, the first time since 2004. Before that, the business park was averaging completions of around 20,000.00 sq.m. per year for 14 years. In the next three (3) years, we forecast additional supply of 20,383.67 sq.m. per year, with 2022 again having no completions.



Source: Colliers International Research

As mentioned earlier, no buildings were completed in 2019, and the last building to be completed was in the fourth quarter of 2018, with Tech Tower from Cebu Holdings, Inc.

While there were no additional buildings, occupancy rates drop to 90.6% with vacancies in Lexmark Plaza 3 and BPI Cebu Corporate Tower pulling vacancy rates upwards to 9.39% from 1.74% in the previous year.



Source: Colliers International Research

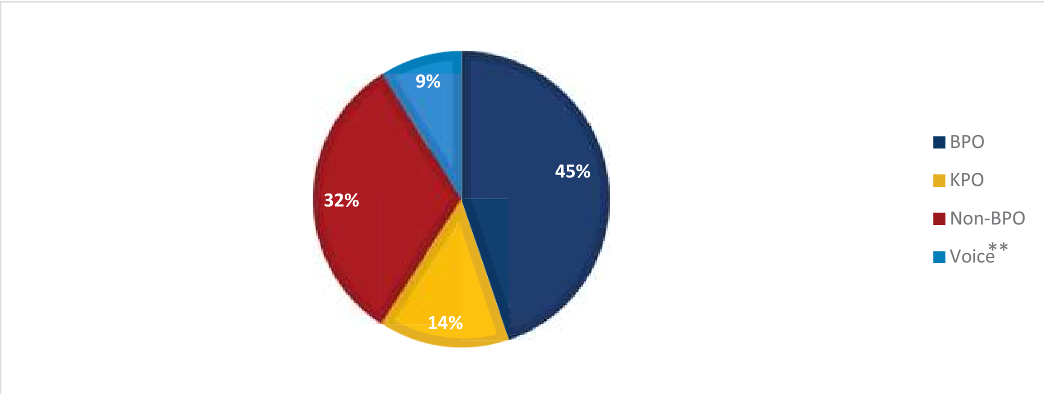
4.1.2 LEASE RATES

Building Grade	Headline		Transacted	
	Min.	Max	Min.	Max
Cebu Business Park	550	900	550	700

Source: Colliers International Research

Headline rates for buildings in Cebu Business Park ranges from ₱550 to ₱900 per square meter, while transacted rates are from ₱550 to ₱700. This is equivalent to discounts ranging from 8.3% at its lowest, and 28.5% at its highest. Tenants who typically get big discounts are those well known companies getting a major share in the office space within the building. Developers usually accommodate these tenants just to get them in.

4.1.3 2019 TRANSACTIONS



Source: Colliers International Research
** Based on size of transaction*
*** Lower value services that don't need professional skills/certification and licenses*
Does not include undisclosed tenants

As one of the major business districts in Cebu, Cebu Business Park accounted for around 43.0% of the total transactions in 2019, with the majority being BPOs. Non-BPOs, such as headquarters of developers (usually in their own buildings) also had a major role in the transactions in 2019, accounting for 31.9%.

Notable transactions in CBP are 24/7 intouch, locating in One Montage for almost 9,000 sq.m. of office space, Iploy, a KPO company focused on IT also located in One Montage, and Dover Business Servies Philippines Corp., also in One Montage.

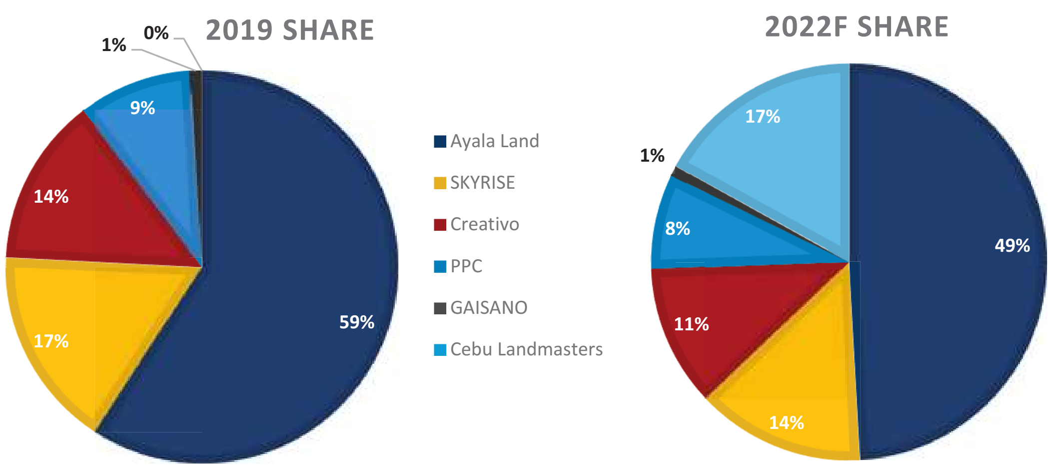
4.1.4 TOP DEVELOPERS

As the primary developer of the Cebu Business Park, Ayala Land dominates the office market, having 97,490 sq.m. of gross office space by the end of 2019. Skyrise is is at far second, currently with 7.2%* share of the market, and will have a decreased share by 2022F to a little less than 6%*. Cebu Landmasters will be the lone developer to increase their share and eat up the share of the top developers, as it will build 33,628.33 sq.m. worth of office space.

Developer	Total Supply as of End-2019 (GFA, in sq.m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq.m.)	Market Share (End-2022F)
Ayala Land	97,490.41	59.2%	97,490.41	49.1%

Developer	Total Supply as of End-2019 (GFA, in sq.m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq.m.)	Market Share (End-2022F)
SKYRISE	27,300.00	16.6%	27,300.00	13.8%
Creativo	22,910.59	13.9%	22,910.59	11.5%
PPC	15,400.00	9.3%	15,400.00	7.8%
GAISANO	1,663.00	1.0%	1,663.00	0.8%
Cebu Landmasters	0.00	0.0%	33,628.33	17.0%
Subtotal	**164,764.00**	**100.0%**	**198,392.33**	**100.0%**
Others	***215,486.81***		***265,350.81***	
Grand Total	**380,250.81**		**463,743.14**	

Source: Colliers International Research
*Note: * vs all developers in Cebu Business Park*

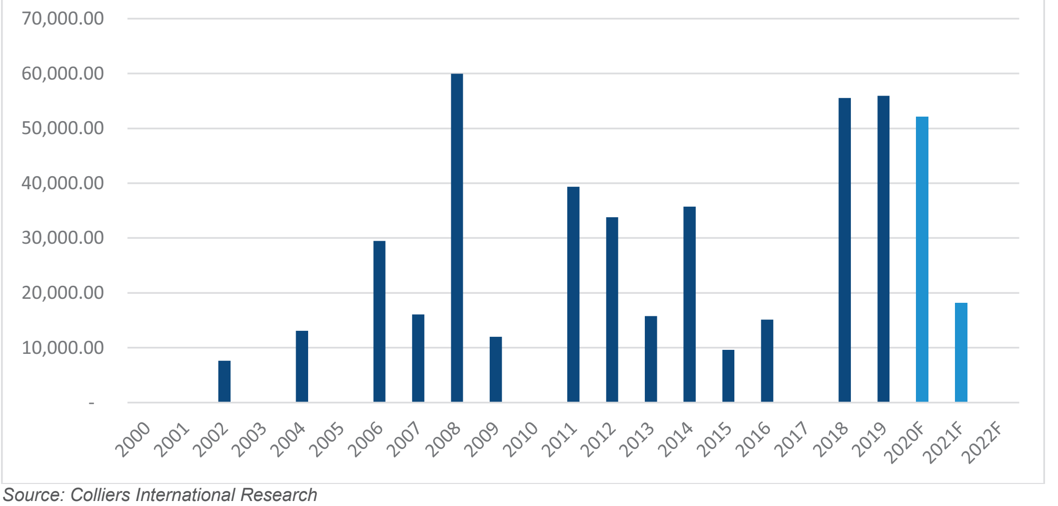


Source: Colliers International Research
** Based on Gross Floor Areas*
Note: Market share vs. major developers only

4.2 CEBU IT PARK

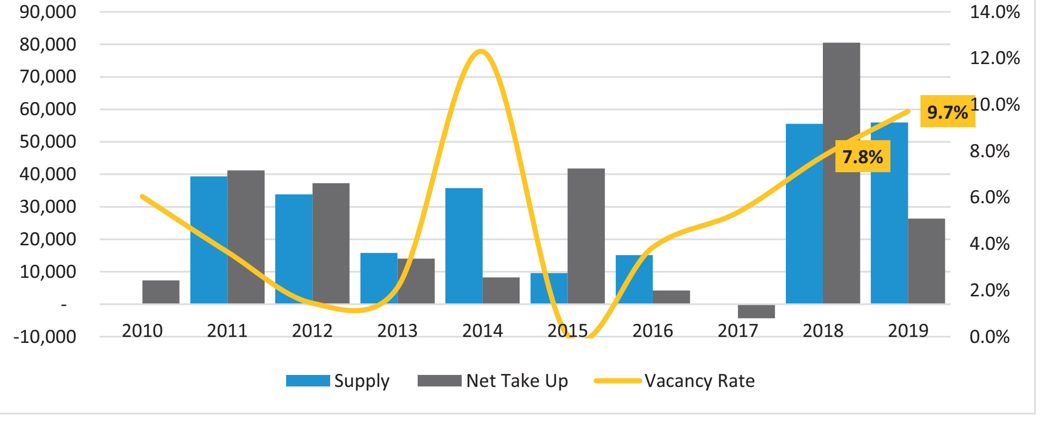
4.2.1 CEBU IT PARK SUPPLY AND DEMAND

Unlike Cebu Business Park, Cebu IT Park, formerly known as the Asiatown IT Park, had years when there were no completions. However in 2018 and 2019, the CBD saw consecutive years with 55,000 sq.m. of space coming on-line. Consequently, these figures are the biggest amount of space to be turned over in a year since 2008, where the Park recorded an increase in stock of about 60,000 sq.m.



Source: Colliers International Research

In 2020F, we are expecting another 50,000 to be turned over, and eventually slowdown in 2021F with only around 18,000, and none so far for 2022F. Completed buildings in 2019 were Central Bloc 1 by Ayala Land, bringing in 31,700 sq.m. of leasable space, and Skyrise 4B, accounting for 24,250 sq.m. of new supply.



Source: Colliers International Research

Vacancy levels in Cebu IT Park is hovering from nil to around 5.5% from 2015 to 2017, and increased slightly to 7.8%, and continued to increase to 9.7% in 2019. Both upticks in vacancy levels were attributed to the number of additional office spaces in available.

4.2.2 LEASE RATES

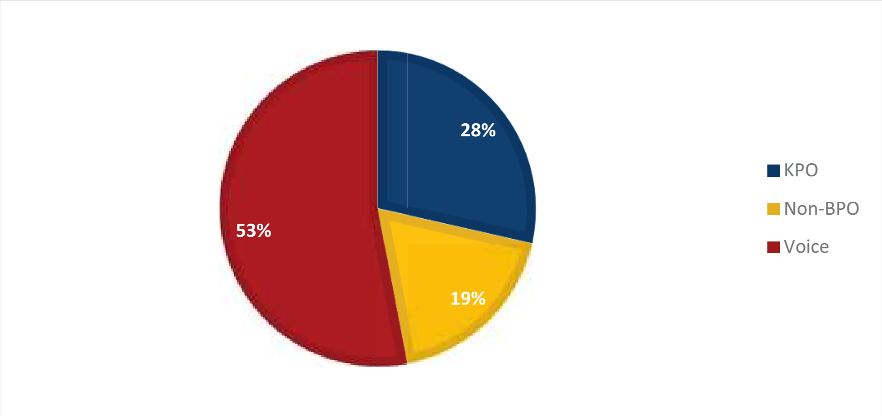
Lease rates in Cebu IT Park are from ₱600 to ₱800 per sq.m., closing at around ₱600 to ₱715, for a discount rate of around 7.7% to 10.6%.

Building Grade	Headline		Transacted	
	Min.	Max	Min.	Max
Cebu IT Park	600	800	600	715

Source: Colliers International Research

4.2.3 2019 TRANSACTIONS

At the end of 2019, Voice BPOs account for 53% of total transactions in Cebu IT Park, followed by KPOs. Unlike Cebu Business Park, Non-BPO tenants for this CBD took up the least office space for 2019.



Source: Colliers International Research
** Based on size of transaction, excluding undisclosed transactions*

Google is one of the bigger transactions in 2019, occupying an office space equivalent to 8,599.00 sq.m. in Central Bloc Tower 1. Other tenants in the building are: Kredo and Channel Fix. Central Bloc Tower 1 is a development by Ayala Land.

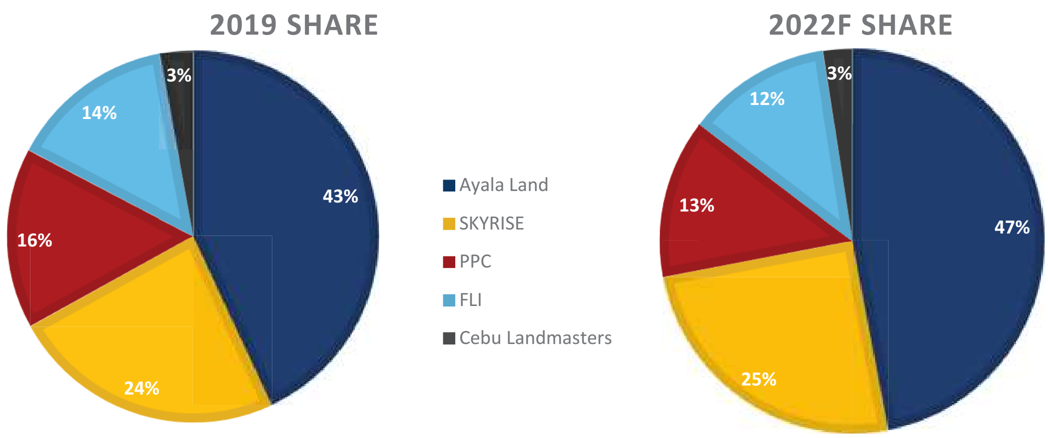
4.2.4 TOP DEVELOPERS

Ayala Land is the dominant developer in Cebu IT Park, accounting for 34.4% of the total office space in the CBD* (43.1% if vs. major developers). Skyrise is at 19.1%*, equivalent to 88,700.65 sq.m. of gross floor area. Primary Industrial Properties Corp (PPC), Filinvest (FLI) and Cebu Landmasters round up the top 5 developers.

Developer	Total Supply as of End-2019 (GFA, in sq.m.)	Market Share (End-2019)	Total Supply as of End-2022F (GFA, in sq.m.)	Market Share (End-2022F)
Ayala Land	159,938.00	43.1%	206,271.50	47.0%
SKYRISE	88,700.65	23.9%	109,630.65	25.0%
PPC	58,363.41	15.7%	58,363.41	13.3%
FLI	53,640.92	14.4%	53,640.92	12.2%
Cebu Landmasters	10,701.00	2.9%	10,701.00	2.4%
Subtotal	**371,343.97**	**100.0%**	**438,607.47**	**100.0%**
Others	***93,341.00***		***106,911.00***	
Grand Total	**464,684.97**		**545,518.47**	

Source: Colliers International Research
*Note: * vs all developers in the CBD*

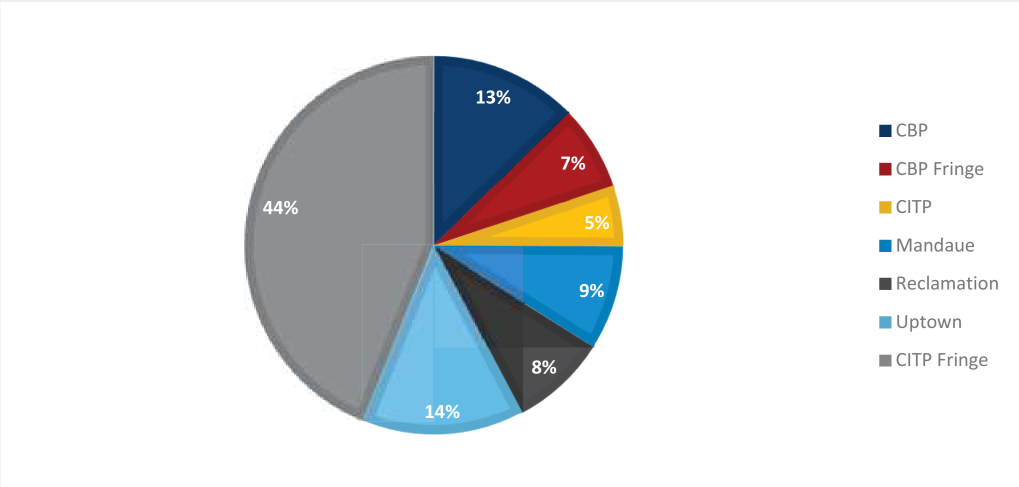
By the end of 2022F, only Ayala Land and Skyrise would have additional inventories, further increasing their market shares to 37.8% and 20.1%, respectively. Meanwhile the three (3) other developers will retain their inventory levels in the next three (3) years.



5 OFFICE FOR SALE MARKET RESEARCH

5.1 STOCK

As of the 1st Quarter of 2020, a total of 172,976.6 sq.m. meters of office space were sold / are being sold in the Province of Cebu. The biggest of which is in the fringe of Cebu IT Park, with a single building, Cebu Exchange Tower lords over all other buildings in terms of total office space (75,938.00 sq.m.). The Uptown area comes in at 2nd, with a far 23,933.00 sq.m. found in two (2) buildings; Baseline Center and City Soho. Cebu Business Park adds 21,801.55 sq.m., with BPI Corporate Center and Latitude Corporate Center.



Source: Colliers International Research
** Based on Leasable Areas*

Only three (3) out of the total nine (9) buildings for sale are found within the business parks, BPI Cebu Corporate Center and Latitude Corporate Center in Cebu Business Park, while Park Centrale by Cebu Landmasters in Cebu IT Park. Together, they make-up 30,763.55 sq.m., or 17.8% of the total stock that was sold / are being sold.

Buildings / Location	Total Office Space (in sq.m.)
Cebu Business Park	**21,801.55**
BPI Cebu Corporate Center	15,433.55
Latitude Corporate Center	6,368.00
CBP Fringe	**12,672.00**
Avenir	12,672.00

Buildings / Location	Total Office Space (in sq.m.)
Cebu IT Park	**8,958.00**
Park Centrale	8,958.00
Mandaue	**15,427.00**
One Mandani Bay	15,427.00
Reclamation	**14,246.00**
Grand Tower	14,246.00
Uptown	**23,933.00**
Baseline Center	3,215.00
City Soho	20,718.00
CITP Fringe	**75,938.00**
Cebu Exchange Center	75,938.00
Grand Total	***172,975.55***

Source: Colliers International Research

Among the three (3) buildings, the Latitude Corporate Center is the newest, being launched in October of 2016. However, among all the buildings, the newest is One Mandani Bay from HT Land, a joint venture between Taft Properties and Hongkong Land.

5.2 UNIT BREAKDOWN

Average unit sizes in offices for sale in Cebu range from 22.7 sq.m. in City Soho, to as much as 346.6 sq.m. in Cebu Exchange Center. Avenir and City Soho have smaller units compared to the rest of the offices for sale because these are small office home office units, and are actually within active condominium towers. Both office/condo developments are projects by local developers, King Properties and Gold Peach Properties.

On the other hand, Cebu Exchange Center has the biggest cuts, with some being as big as 1,644.00 sq.m., these belong to the lower floors, where quadrants of the floors are being sold.

Buildings / Location	Total Office Space (in sq.m.)	Ave. Unit Cut (in sq.m.)
Cebu Business Park	**21,801.55**	**85.50**
BPI Cebu Corporate Center	15,433.55	89.86
Latitude Corporate Center	6,368.00	74.95
CBP Fringe	**12,672.00**	**29.69**
Avenir	12,672.00	29.69
Cebu IT Park	**8,958.00**	**73.12**
Park Centrale	8,958.00	73.12

Buildings / Location	Total Office Space (in sq.m.)	Ave. Unit Cut (in sq.m.)
Mandaue	**15,427.00**	**136.52**
One Mandani Bay	15,427.00	136.52
Reclamation	**14,246.00**	**74.97**
Grand Tower	14,246.00	74.97
Uptown	**23,933.00**	**27.89**
Baseline Center	3,215.00	61.30
City Soho	20,718.00	22.70
CITP Fringe	**75,938.00**	**346.55**
Cebu Exchange Center	75,938.00	346.55
Grand Total	**172,975.55**	**191.08**

Source: Colliers International Research
** Based on Net Leasable Areas*

The most common unit cut in Cebu are less than those less than 50.00 sq.m. per unit, mainly due to the number of units in this size being offered by City Soho and Avenir. However, if these buildings are excluded, the most popular cut would be the 51.00 – 100.00 sq.m. cut, followed by the 151.00 to 200.00 sq.m..

	Less than 50 sq.m.	51 - 100 sq.m.	101 - 150 sq.m.	151 - 200 sq.m.	201 - 250 sq.m.	251 - 300 sq.m.	More than 300 sq.m.
Cebu Business Park							
BPI Corporate Center		80.2%	18.5%	1.2%			
Latitude Corporate Center							
CBP Fringe							
Avenir	84.6%	11.6%	0.4%	0.8%			2.5%
Cebu IT Park							
Park Centrale	10.9%	81.8%	7.3%				
Mandaue							
One Mandani Bay		39.8%	23.9%	24.8%	6.2%	5.3%	
Reclamation							
Grand Tower	47.4%	26.3%	15.8%	10.5%			
Uptown							
Baseline Center	59.3%	18.5%	22.2%				
City Soho	100.0%						
CITP Fringe							
Cebu Exchange			1.9%	60.9%			37.2%
Total	***41.0%***	***22.6%***	***8.1%***	***18.2%***	***0.5%***	***0.4%***	***9.2%***

Source: Colliers International Research
** Based on Number of Units per cut range*

5.3 SELLING PRICE AND TERMS

The average selling price of office units on a per sq.m. basis is at ₱133,000.00, equivalent to ₱26.5 million for a 191 sq.m. unit, this is only almost a million short of the average total contract price (TCP) in Metro Manila (₱27 million) but for a bigger unit. Based on last available prices of units offered, the most expensive is BPI Cebu Corporate Center, with its average reaching ₱171,504.00 per sq.m.. This is followed by the Cebu Exchange Center, selling at almost ₱150,000.00, and One Mandani Bay at ₱140,000.00.

Buildings / Location	Ave. Unit Cut (in sq.m.)	Ave. P/Sqm	Ave. TCP
Cebu Business Park	**164.81**	**158,298.50**	**12,229,016.98**
BPI Cebu Corporate Center	89.86	171,504.00	13,516,885.00
Latitude Corporate Center	74.95	142,466.00	10,684,950.00
CBP Fringe	**29.69**	**93,958.00**	**2,789,613.02**
Avenir	29.69	93,958.00	2,789,613.02
Cebu IT Park	**73.12**	**87,239.00**	**6,378,915.68**
Park Centrale	73.12	87,239.00	6,378,915.68
Mandaue	**136.52**	**140,000.00**	**19,113,097.35**
One Mandani Bay	136.52	140,000.00	19,113,097.35
Reclamation	**74.97**	**95,217.00**	**7,141,275.00**
Grand Tower	74.97	95,217.00	7,141,275.00
Uptown	**84.00**	**92,240.54**	**4,735,810.09**
Baseline Center	61.30	91,403.85	5,695,157.31
City Soho	22.70	94,500.00	2,145,150.00
CITP Fringe	**346.55**	**149,730.08**	**51,897,062.15**
Cebu Exchange Center	346.55	149,730.08	51,897,062.15
Grand Total	**191.08**	**133,177.26**	**26,484,641.97**

Source: Colliers International Research
** Based on Leasable Areas*

5.4 TOP DEVELOPERS

Cebu Lavana Land, the subsidiary of Arthaland, has the biggest share in terms of office for sale with its Cebu Exchange Center. This was followed by Golden Peach's 20,718.00 sq.m. Alveo Land, one of ALI's subsidiaries, is at 3rd place, having almost 9% of the market, tied with HT Land.

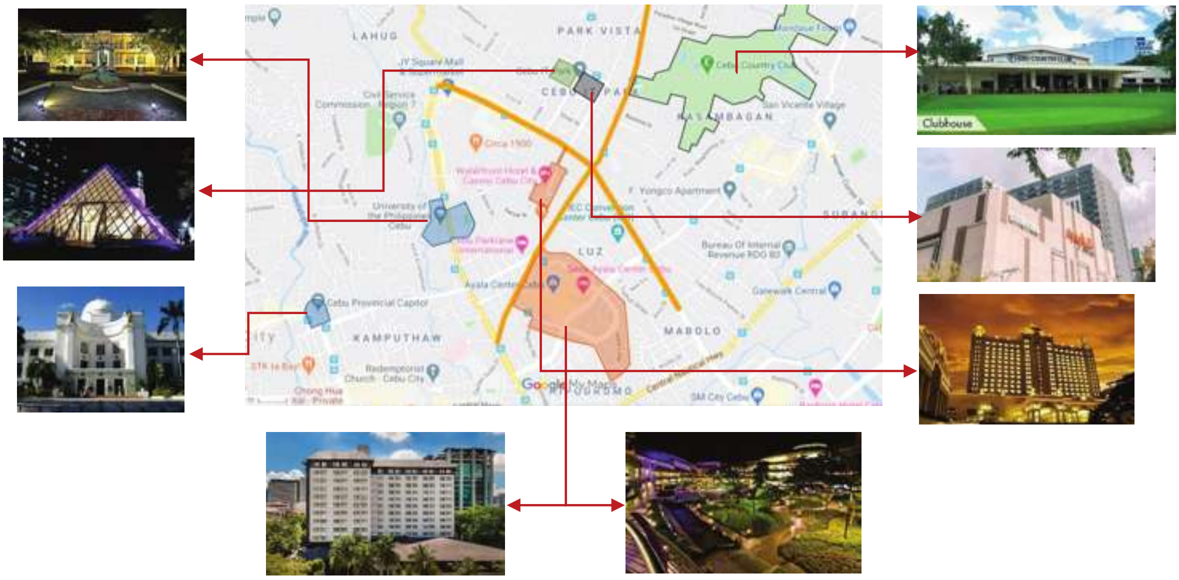
	sq.m. as of Q4 2019	Market Share
Alveo Land	15,433.55	8.9%

	sq.m. as of Q4 2019	Market Share
BL CBP Ventures	6,368.00	3.7%
Cebu Landmasters	12,173.00	7.0%
Cebu Lavana Land	75,938.00	43.9%
Gold Peach Properties	20,718.00	12.0%
Grand Land, Inc	14,246.00	8.2%
HT Land	15,427.00	8.9%
King Properties	12,672.00	7.3%

Source: Colliers International Research
** Based on Leasable Areas*

6 VICINITY AND SITE ANALYSIS

6.1 LOCATION AND VICINITY



Aegis People Support building (now better known as Teleperformance Cebu) is located along Villa St., within the Cebu IT Park (formerly known as Asiatown IT Park). It is located on the northern tip of the IT Park, near the residential buildings of Avida Land. Right across the street from the building is the newly-built Central Bloc, a mixed-use development by Ayala Land, which has a mall, a Seda Hotel and some office spaces. Beside Central Bloc is the open area alfresco dining, with various F&B establishments operating. This area is very popular among Cebuanos and tourists especially at night. Just outside of Cebu IT Park, 550 meters away is the Cebu Country Club. Waterfront Hotel meanwhile is 1.3 km away. Cebu Business Park, which is the second biggest CBD in Cebu is around 2.2 km away. Ayala Center Cebu, another Seda hotel and the PUJ terminal are landmarks within the Cebu Business Park. University of the Philippines Cebu and the Cebu Provincial Capitol meanwhile are 2.4km and 3.2km away, respectively.

Below are the different landmarks in Cebu versus their distance to Teleperformance Cebu.

Teleperformance Cebu	Distance in KM	Distance in Minutes (by Walking)
Central Bloc	0.23	3 mins
Waterfront Hotel	1.3	17 mins
Cebu Country Club	0.55	6 mins
Cebu Business Park	2.2	7 mins (car)
UP College Cebu	2.2	6 mins (car)
Cebu Provincial Capitol	3.2	10 mins (car)
Cebu City Hall	5.7	15 mins (car)
Mactan-Cebu International Airport	13	31 mins (car)
Cebu Passenger Port	5.3	14 mins (car)

6.2 GENERAL DESCRIPTION OF THE PROPERTY

Teleperformance Cebu	
Address	Villa St., Asiatown IT Park, Cebu City
Land Area	3,621 sqm
Zoning*	Block 8*
Allowable Uses*	Office / Residential / Retail – retail outlets may be permitted in buildings provided that such outlets are limited to the first two (2) floors (above ground) of the building.
Allowable Floor Area Ratio*	6.0, minimum of three (3) floors, and no building height restriction

Note: Based on the Declaration of Covenants, Conditions and Restrictions of CITP provided by the Client.

Teleperformance Cebu is a 13-storey mixed-use Grade A rated building, with retail areas and entertainment facilities on its second floor. The penthouse serves as an amenity deck with a landscaped garden as well as a waterscape. It covers a lot area of 3,61 sq.m. and a total gross floor area of 24,229.15 sq.m. Based on the Declaration of Covenants, Conditions and Restrictions of Cebu IT Park, it is located on a plot where multple uses are allowed, and a maximum FAR of 6.0. No height restrictions are in place, but CITP has prescribed all buildings with this zoning a minimum of three (3) floors. Retail uses are allowed as long as it only takes 20% of the total GFA of the building, and will be located in the first two (2) floors. A parking ratio of one (1) slot for every 100 sq.m. GFA is also prescribed.

6.3 COMPETITION ANALYSIS

	Aegis People Support	Philamlife Tower Cebu	FLB Corporate Center	TGU Tower	Filinvest Cebu Cyberzone	Skyrise 4B
Address	Villa St., Asiatown IT Park, Lahug, Cebu City	Cardinal Rosales Ave., Cebu Business Park	Mindanao Ave., cor Bohol Avenue, Cebu Business Park	Jose Ma. Del Mar St., Cebu IT Park	Salinas Drive cor. W. Geonzon St., Cebu IT Park	W. Geonzon St., Cebu IT Park
Completion Date	2011	2016	2015	2008	2018	2019
Gross Leasable Area*	17,682	24,300	12,863	24,200	27,574	24,250
Net Useable Area	17,682	21,141	11,389	23,387	24,817	21,825
Efficiency**	100.00%	87.00%	88.54%	96.64%	90.00%	90.00%
Typical Floor Plate	1,864	2,094	677	2,545	1,532	2,450
Density Ratio	1:6.5	1:6.5	1:6	1:6	1:5.75	1:5
Back-up Power	100%	N+1	100%	100%	N +1	100%
Rent	670.00	900.00	600 - 875	1,000 (fully furnished)	630.00	650.00
Basis of Rent	GLA	GLA	GLA	GLA	GLA	GLA
PEZA	Yes	Yes	Yes	Yes	Yes	Yes
Certifications (LEED / Well)	LEED Gold	LEED BD+C: Core and Shell pre-certification at the Silver level	None	None	None	None
A/C Type	VRF	VRF	Centralized	VRF	Centralized	VRF, lessee provided
A/C Charges	95.68	None	138	None	None	None
Occupancy / Pre-leasing status	100%	100%	95%	93%	93%	57%

Source: Colliers International Research
** Based on Leasable Areas of office use only*
*** Efficiency is calculated as Net Useable Area divided by Gross Leasable Area*

Aegis People Support / Teleperfomance Cebu is one of the smaller buildings in the comparable set in terms of leasable space, but has definitely one of the better-sized floorplates, considering that it was built in 2011.

Efficiency-wise, the building is also the only one with a 100% efficiency rate. It also compares nicely technical specifications-wise with other newer buildings in terms of A/C Type, density and back-up power.

The building is also one of only two (2) buildings in the comparable set which has a LEED Certification, with the other one (1) being built five (5) years later than the TP Cebu Building.

On rent, TP Building is in the middle of the pack, with asking rentals ranging from ₱600 per sq.m. to ₱900 per sq.m.

6.3.1.1 CEBU IT PARK BUILDINGS


TGU Tower


Skyrise 4B


Filinvest Cyberzone T2

STRENGTHS

Location and PEZA Accreditation

Because Cebu IT Park is PEZA Accredited, all buildings covered within the IT Park will also be PEZA Accredited. It is also the preferred location for IT locators because of ready 24/7 support system.

Accessibility

Cebu IT Park building has great access, as all buildings are within thoroughfares that public vehicles can reach. Filinvest Cyberzone Towers before had an issue with the accessibility, as it does not originally belong within the Cebu IT Park. However, this has been resolved already.

Big Floorplates

Because most of the buildings, if not all, in Cebu IT Park cater to BPOs and KPOs, buildings in the area typically have big floorplates – a requirement of these types of locators. The comparable set has a floorplate range of 1,500 – 2,500 sq.m.

WEAKNESSES

Efficiency

This is especially true with Filinvest Cyberzone and Skyrise 4B buildings, having an efficiency rate of below 95%.

No certifications

With the increasing popularity of green buildings and wellness-related trends for office spaces, these buildings in Cebu IT Park are at a disadvantage for not having any certifications promting green- and wellness technologies.

6.3.1.2 CEBU BUSINESS PARK BUILDINGS

FLB Corporate Center

Philamlife Tower Cebu

STRENGTHS

Location and PEZA Accreditation

Like Cebu IT Park, Cebu Business Park is also a PEZA Accredited IT Park, therefore all buildings within the park will have PEZA incentives. Cebu Business Park also is a preferred location not only for IT companies, but as regional headquarters of multinational and big local companies.

Accessibility

Both buildings have good accessibility, as both have access in the main thoroughfares. The PUJ Terminal is also just a few meters away from FLB Corporate Center, and a few minutes' walk from Philamlife Tower Cebu.

LEED Certification

Philamlife Tower has a LEED BD+C: Core and Shell pre-certification at the Silver level.

Back-up Power

Philamlife Tower has back-up power of N+1, the only one among all others in the comparable set.

WEAKNESSES

Efficiency

Both buildings have efficiencies of less than 90%.

Small Floorplate

FLB Corporate Center has a floorplate of only 677 sq.m. While it is not targeted towards catering to BPO and KPOs, the small floorplate makes it less flexible in catering locators which require larger spaces.

6.4 SWOT ANALYSIS OF THE PROPERTY

6.4.1 STRENGTHS

Location

Teleperfomance Cebu is strategically located within Cebu IT Park, the premier central business district of Cebu, specializing on IT/BPO Companies. It is the preferred location for most of the bigger IT/BPO/KPO companies in the Province, as it has within its vicinity a rich talent pool, 24/7 services, and great accessibility.

PEZA Accredited and Grade A

The building is PEZA accredited and rated as Grade A, and the lack of PEZA accreditations being handed out to Metro Manila buildings has become an advantage to provincial locations, as some locators now look to the provinces either for redundancy purposes, or just a new location. It also takes a while for PEZA accreditations to get released, so buildings without it have to compromise rent in order to still get tenants. Availability of Grade A in Cebu is also limited, especially those that are targeted towards BPOs / KPOs. Most of the buildings are Grade B.

Sizeable floorplate

The typical floorplate of the building is just right for the minimum requirement of the BPOs, but not extremely big that it is still flexible and can be divided into quadrants for smaller locators.

High Efficiency within the Units

As the efficiency of TP Cebu is 100% (i.e. net useable area is equivalent to gross leasable area), the tenants effectively pay rent only for the area they use and occupy. In contrast, most other buildings' efficiency is less than 100%, tenants pay for net useable area plus a share in the common areas.

Well maintained and professionally managed

TP Cebu started operations in 2011 and was bought by Ayala Land recently. And given the track record and branding of Ayala Land, the building has been professionally managed since, keeping the building well-kept and maintained, as compared to other buildings built during the same era.

Availability of Retail Dining and Entertainment Options in the Building

TP Cebu is a mixed-use building, with two (2) of its floors having retail dining options, gym and basketball court, as well as a game room for the tenant of the building. It also has landscaped gardens in the penthouse for relaxation of the employees.

Proximity to Central Bloc

Central Bloc, the newest development of Ayala Land is just a few meters away. This gives the tenants of TP Cebu more dining options, as well as other support options such as banks, services, and convenience stores. The Seda Hotel is also just within the Central Bloc, and if the tenants will have guests, they will not have problems in accommodating them nearby.

6.4.2 WEAKNESSES

Small windows

Due to the building's age, the windows are smaller than newer buildings with high glass ratio, with a slightly lower amount of natural light coming into the offices. With the move towards green initiatives and wellness among employees, the amount of natural light coming into the office becomes more and more important. However, some tenants still prefer lower glass ratio to reduce aircon consumption.

6.4.3 OPPORTUNITIES

New industries entering the market and looking for office spaces

Other than the typical BPO and traditional companies looking for office spaces in Makati CBD, new industries such as flexible workspaces and English as Secondary Language (ESL) schools have also been observed to be entering the market and getting significant spaces in different buildings within the business parks.

Entry of big-name companies

Recent transactions have seen Google and Amazon take space in newer buildings in Cebu. These kind of brands and companies act as testimonies to how well Cebu has been performing in terms of producing quality talent pool, ease of business, and up-to-date building specifications. These will definitely catch the eye of several other companies to locate in the province.

6.4.4 THREATS

Work from home

With the Telecommuting Act now signed into law by President Duterte, employees are now allowed to work from home as an alternative work arrangement for the private sector. While the effect has yet to be felt by the office sector, expansions of some industries might have some slowdown due to this, as workers can now work from home, and the number of seats can now be lessened, or maintained, even as the companies expand. However, for BPO locators, this may not have as much effect, as they have found operations to not be as efficient when applying work from home arrangements.

Newer buildings, cheaper options

As some lots are being redeveloped and built as either office or residential buildings, the number of competition increases. These newer buildings pose as threat, as some are willing to drop prices to get good-name tenants to their buildings.

Emergence of Fringe locations

Due to the lack of developable space within the CBDs, big developers have looked to the fringes of the CBDs and developing massive office buildings. Because these buildings are just outside of the CBDs, they also still enjoy the benefits of being within the CBDs, with the exception of the PEZA-accredited status.

7 CAVEATS AND ASSUMPTIONS

1. Definitions

In these Caveats and Assumptions the following words or phrases shall have the meaning or meanings set out below:

'Confidential Information' means information that:

(a) Is by its nature confidential.

(b) Is designed by Us as confidential.

(c) You know or ought to know is confidential.

(d) Includes, without limitation: information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services.

'Currency Date' means, in relation to any valuation report, the date as at which our professional opinion is stated to be current.

'**Fee**' means the amount agreed to be paid for the Services as set out in the Quotation.

'**Parties**' means You or Us as the context dictates.

'**Quotation**' means the written quote provided by Us in relation to the Services.

'**Services**' means the valuation services provided pursuant to these Terms and Conditions and the Quotation, and includes any documents, reports or certificates provided by Us in connection with the Services.

'**The Property**' means the assets which are subject of our appointment as your advisor.

'**We**', '**Us**', '**Our**', '**Colliers**' means Colliers International Limited.

'**You**', '**Your**', '**Client**' means the person, company, firm or other legal entity by or on whose behalf instructions are given, and any person, firm, company or legal entity who actually gave the instructions to us even though such instructions were given as agent for another.

'**Professional Property Practice Standards**' refers to RICS Valuation and Appraisal Handbook, or appropriate standards.

2. PERFORMANCE OF SERVICES

2.1 We have provided the Services in accordance with:

(a) The Terms and Conditions contained herein; or

(b) As specifically instructed by You for the purpose of the Services; and

(c) Within the current provisions set by the prevailing Professional Property Practice Standards.

3. CONDITION OF THE PROPERTY

3.1 No allowance has been made in our report for any charges, mortgages or amounts owing on any neither of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale**.** We have assumed that the Property is free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect value, whether existing or otherwise, unless otherwise stated. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title which is assumed to be good and marketable. We are not aware of any easements or rights of way affecting the property and our valuation assumes that none exists.

3.2 We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of, all ordinances, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licences, permits, certificates, and authorisations have been obtained, except only where otherwise stated.

3.3 We have assumed that any development sites are in a condition suitable for development; this has not been checked by us.

3.4 We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

3.5 We have assumed that there is no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues.

3.6 An internal inspection has been made; no detailed on site measurements have been taken.

3.7 While due care is exercised in the course of our inspection to note any serious defects, no structural survey of the

Property will or has been undertaken, and We will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible.

3.8 None of the services have been tested by Us and we are unable therefore to report on their present condition, but will presume them to be in good working order.

3.9 We have not undertaken a detailed inspection of any plant and equipment or obtained advice on its condition or suitability.

3.10 We recommend that You engage appropriately qualified persons to undertake investigations excluded from our Services.

3.11 No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.

4. ENVIRONMENT AND PLANNING

4.1 We have obtained only verbal town planning information. It is your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation.

4.2 We do not hold ourselves to be experts in environmental contamination. Unless otherwise stated, our inspection of the site did not reveal any contamination or pollution affectation, and our valuation has been prepared on the assumption that that the land is not contaminated and has not been affected by pollutants of any kind. We would recommend that that this matter be checked by a suitably qualified environmental consultant. Should subsequent investigation show that the site is contaminated, our valuation may require revision.

5. BUILDING AREAS AND LETTABLE AREAS

5.1 Where a survey is provided to Us for consideration, We will assume that information contained in the survey is accurate and has been prepared in accordance with the prevailing Professional Property Practice Standards.

5.2 If you do not provide Us with a survey, We will estimate building and/or lettable areas based only upon available secondary information (including but not limited to building plans, deposited plans, and our own measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the prevailing Professional Property Practice Standards.

5.3 Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation back to Us for comment or, where appropriate, amendment.

6. OTHER ASSUMPTIONS

6.1 Unless otherwise notified by You, We will assume:

(a) There are no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the Title.

(b) All licences and permits can be renewed and We have not made any enquires in this regard.

6.2 Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural/ dilapidation reports), we will rely upon the apparent expertise of such experts/ specialists. We will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.

6.3 Our services are provided on the basis that the client has provided us with a full and frank disclosure of all information and other facts which may affect the service, including all secrecy clauses and side agreements. We accept no responsibility or liability whatsoever for the valuation unless such a full disclosure has been made.

6.4 Any plans, sketches or maps included in this report are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.

6.5 The study of possible alternative development options and the related economics are not within the scope of this report.

6.6 Our opinion about the Market Value of the property is free from any influence and/ or point of views of any other parties.

7. VALUATION FOR FIRST MORTGAGE SECURITY

7.1 Where the Services are provided for mortgage purposes, You agree that You will not use the valuation report where the property:

(a) Is used as security other than by first registered mortgage;

(b) Is used as part of a group of securities (except where the property forms part of a trust); or

(c) Is used as security for more than one loan.

7.2 We reserve the right, at Our absolute discretion, to determine whether or not to assign Our valuation to any third party. Without limiting the extent of Our discretion, We may decline a request for assignment where:

(a) The proposed assignee is not a major recognised lending institution (such as a major bank);

(b) The assignment is sought in excess of 3 months after the date of valuation;

(c) We consider that there has been a change in conditions which may have a material impact on the value of the property.

(d) The proposed assignee seeks to use the valuation for an inappropriate purpose (including in a manner inconsistent with Your agreement at Clause 7.1); or

(e) Our fee has not been paid in full.

7.3 Where we decline to provide an assignment on either of the basis at 7.2(b) or (c), we may be prepared to provide an updated valuation on terms to be agreed at that time.

7.4 In the event that You request Us to assign Our valuation and We agree to do so, You authorize Us to provide to the assignee a copy of these Terms and Conditions, the Quotation and any other document, including instructions provided by You, relevant to the scope of Our Services.

8. ESTIMATED SELLING PRICE

8.1 Where you instruct Us to provide an Estimated Selling Price, You agree that the Services:

(a) Are limited to the provision of an opinion based on Our knowledge of the market and informal enquiries

(b) We are not required to carry out a full inspection of the property; any inspection of comparable properties; a search of Title(s) or other enquiries as to encumbrances, restrictions or impediments on Title(s); or other investigations which would be required for a formal valuation.

(c) Provide an indicative figure only which is not suitable for use for any purpose other than as general information or guide as to sale expectations. It is not suitable to be relied upon for the purpose of entry into any transaction.

8.2 No responsibility will be accepted either to You or to any third party for loss or damage that may result from the issue of such an Estimated Selling Price.

9. CURRENCY OF VALUATION

9.1 Due to possible changes in market forces and circumstances in relation to the property the Services can only be regarded as relevant as at the Currency Date.

9.2 Where You rely upon Our valuation report after the Currency Date, You accept the risks associated with market movements between the Currency Date and the date of such reliance.

9.3 Without limiting the generality of 9.2, You should not rely upon Our valuation:

(a) After the expiry of 3 months from the Currency Date;

(b) Where circumstances have occurred during that period which may have a material effect on the value of the property or the assumptions or methodology used in the valuation report.

10. MARKET PROJECTIONS

10.1 Any market projections incorporated within our Services including, but not limited to, income, expenditure, associated growth rates, interest rates, incentives, yields and costs are projections only and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.

10.2 Where Our Services include market projections such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.

10.3 Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.

11. YOUR OBLIGATIONS

11.1 You warrant that the instructions and subsequent information supplied by You contain a full and frank disclosure of all information that is relevant to Our provision of the Services.

11.2 You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.

11.3 You authorise and license Us to incorporate Your intellectual property within Our report(s).

11.4 You will not release any part of Our valuation report or its substance to any third party without Our written consent. Such consent will be provided at Our absolute discretion and on such conditions as We may require including that a copy of these Terms and Conditions be provided to such third party. This clause shall not apply to persons noted as recipients in Your prior instruction to Us or in the Quotation provided that You shall provide any such recipient with a copy of these Terms and Conditions.

11.5 We reserve the right to reconsider or amend the valuation advice, or the Fee set out in Our Quotation to You, if;

(a) Certificates, surveys, leases, side agreements or related documentation that were not provided to Us prior to the provision of the Services are subsequently provided, and contain matters that may affect the value of the advice; or

(b) Where subsequent site inspections made in relation to any of the matters raised in Clause 3 materially affect or may alter the value of the property, the subject of the Services.

11.6 If You release any part of the valuation advice or its substance without written consent, You agree: a) to inform the other person of the terms of our consent; and b) to compensate Us if You do not do so. We have no responsibility to any other person even if that person suffers damage as a result of any other person receiving this valuation.

12. CONFIDENTIALITY

12.1 This report and each part of it is prepared and intended for the exclusive use of the Client for the sole purpose outlined in Our agreement and for inclusion into the Offering Circular of Ayala Land Offices thru BPI Capital. No person other than the Client shall use or rely upon this report or any part of it for any purpose unless we have given Our express written consent. Similarly neither the whole nor any part of this report nor any reference there to may be included in any document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

12.2 If consent to disclose the Confidential Information is provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.

12.3 You agree that You will indemnify, hold harmless and defend Us from and against any and all loss, liability, costs or expenses (including but not limited to professional or executive time) We may suffer or reasonably incur, directly or indirectly, as a result of a breach of this clause.

12.4 Unless otherwise directed in writing by Client, Colliers International retains the right to include references to the Services in its promotional material. Such references shall not contain confidential material.

13. PRIVACY

13.1 We may obtain personal information about You in the course of performing Our Services. We respect your privacy and advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.

14. SUBCONTRACTING

14.1 We may sub-contract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these Terms and Conditions, with Your consent.

15. LIMITATION OF COLLIERS LIABILITY

15.1 To the extent permissible under applicable laws, in no event shall Colliers International be liable to Client or anyone claiming by, through or under Client, including insurers, for any lost, delayed, or diminished profits, revenues, production, business, use or opportunities, or any incidental, special, indirect, or economic losses, wasted costs, diminution of value or consequential damages, of any kind or nature whatsoever, however caused.

15.2 All the costs and benefits forecasted will, ultimately, be determined by future market conditions. Forecasts of these elements are based on assumptions of certain variable factors, which, in turn, are extremely sensitive to changes in the market and economic contexts. For this reason, the figures mentioned in this report were not computed under any known or guaranteed conditions. Rather, these are forecasts drawn from reliable sources of data and information and made in the best judgment and professional integrity of Colliers International. Notwithstanding this, Colliers International reiterates that it will not accept any responsibilities in the face of damage claims that might result from any error, omission or recommendations, viewpoints, judgments and information provided in this report.

15.3 Colliers International, or any employee of Ours shall not be required to give testimony or to appear in court or any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we are properly reimbursed.

15.4 We are free from any possible legal and/ or non-legal issue which may attach to the Property's title documents.

16. ENTIRE AGREEMENT

16.1 No further agreement, amendment or modification of these Terms and Conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.

16.2 If there is inconsistency between these Terms and Conditions and the Quotation, any letter of instruction from You, or other specific request or information shall prevail to the extent of the inconsistency.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON EXAMINATION OF THE PROFIT FORECAST AND PROFIT PROJECTION

July 24, 2020

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower 1 & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, the Philippines

Dear Sirs,

Independent Auditor's Report on the Profit Forecast for the five months financial period from August 1, 2020 to December 31, 2020 and the Profit Projection for the financial year ending December 31, 2021

This report has been prepared for inclusion in the real estate investment trust plan dated July 24, 2020 (the "REIT Plan") to be issued in connection with the Primary Offering of 47,864,000 Common Shares, Secondary Offering of 409,019,000 Common Shares, and with an Over-allotment Option of up to 45,688,700 Common Shares at the Offer Price of ₱27.00 per Offer Share (the "**Offering**").

The Company is responsible for the preparation and presentation of the forecast and projected statements of comprehensive income and distribution of AREIT, Inc. for the five months financial period from August 1, 2020 to December 31, 2020 (the "Profit Forecast") and for the financial year ending December 31, 2021 (the "Profit Projection"), as set out on page 91 of the REIT Plan, which have been prepared on the basis of the assumptions as set out on pages 92 to 102 of the REIT Plan.

We have examined the Profit Forecast and Profit Projection, excluding certain non-GAAP measures, their reconciliation, calculation and amounts such as Funds from Operations, Adjusted Funds from Operations (AFFO), AFFO payout ratio, dividends payout ratio, illustrative price range per share, dividends, offer price, dividend yield %, net operating income and capital expenditure as set out on pages 91, 92, 98, 99 and 100 of the REIT Plan which have been prepared on the basis of the assumptions as set out on pages 92 to 102 of the REIT Plan, in accordance with Philippine Standard on Assurance Engagements (PSAE) 3400, *The Examination of Prospective Financial Information*. The Company is solely responsible for the Profit Forecast and Profit Projection, including the assumptions set out on pages 92 to 102 of the REIT Plan on which they are based.

Profit Forecast

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Forecast as described in the third paragraph of this report. Further, in our opinion, the Profit Forecast is properly prepared on the basis of the assumptions set out on pages 92 to 102 of the REIT Plan, is consistent with the accounting policies adopted by AREIT, Inc. as set out on pages F-12 to F-24 of the REIT Plan and is presented in accordance with Philippine Financial Reporting Standards ("PFRSs").

Profit Projection

The Profit Projection is intended to show a possible outcome based on the stated assumptions. As the length of the period covered by the Profit Projection extends beyond the period covered by the Profit Forecast, the assumptions used in the Profit Projection (which included hypothetical assumptions about future events which may not necessarily occur) are more subjective than would be appropriate for the Profit Forecast. The Profit Projection does not therefore constitute a profit forecast.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Projection as described in the third paragraph of this report. Further, in our opinion, the Profit Projection, is properly prepared on the basis of the assumptions as set out in pages 92 to 102 of the REIT Plan, is consistent with the accounting policies adopted by AREIT, Inc. as set out in pages F-12 to F-24 of the REIT Plan, and is presented in accordance with PFRSs.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions described in the REIT Plan occur, actual results are still likely to be different from the Profit Forecast and Profit Projection since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those forecasted and projected. For these reasons, we do not express any opinion as to the possibility of achievement of the Profit Forecast and the Profit Projection.

Attention is drawn to the risk factors set out on pages 49 to 83 of the REIT Plan which describe the principal risks associated with the Offering to which the Profit Forecast and the Profit Projection relate and the sensitivity analysis of the Profit Forecast and the Profit Projection as set out on page 102 of the REIT Plan.

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July 24, 2020

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