

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

**AREIT, INC.**

---

(Company's Full Name)

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

---

(Company Address)

(632) 7908-3804

---

(Telephone Number)

**December 31, 2024**

---

(Year Ending)

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

---

(Form Type)

-

---

(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2024**
2. Commission Identification Number **CS200613870**
3. BIR Tax Identification No. **006-346-689-000**
4. Exact name of issuer as specified in its charter: **AREIT, INC.**
5. Province, Country or other jurisdiction of incorporation or organization:  
**Makati City, Philippines**
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of issuer's principal office and postal code:  
**28F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226**
8. Issuer's telephone number, including area code: **(632) 7908-3804**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

**As of December 27, 2024**

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
<b>Common shares</b>	<b>3,209,865,985</b>

11. Are any or all of the securities listed on a Stock Exchange?  
Yes ☒ No ☐

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

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

12. Indicate by check mark whether the registrant:

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

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

<sup>1</sup> The application for listing for the 252,136,383 common shares issued to Ayala Land, Inc. (ALI) in December 2022 in exchange for assets located in Cebu is currently pending with the PSE, while the application for listing of the 607,559,380 common shares issued to ALI, and its subsidiaries, AyalaLand Malls, Inc., (ALMI) and Northbeacon Commercial Corp. (NBCC) in exchange for assets located in Makati and Pampanga approved by the Securities and Exchange Commission last September 20, 2023 will be filed with the PSE upon issuance of the Certificates Authorizing Registration by the Bureau of Internal Revenue (BIR). Similarly, the 841,259,412 common shares issued to ALI, its subsidiaries, Greenhaven Property Ventures, Inc. (Greenhaven) and Cebu Insular Hotel Co., Inc. (Cebu Insular), and Buendia Christiana Holdings Corp. (BCHC), in exchange for assets located in Makati, Cebu, and Zambales approved by the Securities and Exchange Commission on September 25, 2024, will be applied for listing with the PSE upon issuance of the Certificates Authorizing Registration by the BIR.

Yes ☒

No ☐

13. Aggregate market value of the voting stock held by non-affiliates: ₱46,636,846,080.00

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

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

Yes ☐

No ☐

**Not applicable**

**DOCUMENTS INCORPORATED BY REFERENCE**

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

2024 Audited Financial Statements (incorporated as reference for Items 6, 7 & 12 of SEC Form 17-A)

## **TABLE OF CONTENTS**

	<u>Page No.</u>
<b>PART I - BUSINESS</b>	
Item 1. Business	5
Item 2. Properties	8
Item 3. Legal Proceedings	10
Item 4. Submission of Matters to a Vote of Security Holders	10
<b>PART II - SECURITIES OF THE REGISTRANT</b>	
Item 5. Market for Issuer's Common Equity and Related Stockholder Matters	11
<b>PART III - FINANCIAL INFORMATION</b>	
Item 6. Management's Discussion and Analysis and Results of Operation	14
Item 7. Financial Statements	25
Item 8. Information on Independent Accountant and Other Related Matters	25
<b>PART IV - MANAGEMENT AND CERTAIN SECURITY HOLDERS</b>	
Item 9. Directors and Executive Officers of the Issuer	27
Item 10. Executive Compensation	34
Item 11. Security Ownership of Certain Beneficial Owners and Management	36
Item 12. Certain Relationships and Related Transactions	37
<b>PART V - CORPORATE GOVERNANCE</b>	
Item 13. Compliance with Leading Practice on Corporate Governance	39
<b>EXHIBITS AND SCHEDULES</b>	
Item 14. Exhibits and Reports on SEC Form 17-C	
(a) Exhibits	39
(b) Reports on SEC Form 17-C	39
(c) Reports under SEC Form 17-C files	40
(d) Material events subsequent to the end of the reporting period that have not been reflected in the financial statements of the reporting period	40
<b>SIGNATURES</b>	42
<b>INDEX TO EXHIBITS</b>	43
<b>INDEX TO SUPPLEMENTARY SCHEDULES</b>	44

## **PART I- BUSINESS**

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

#### **Background**

AREIT, Inc. ("**AREIT or the Company**") is a real estate investment trust company established in the Philippines. Previously known as One Dela Rosa Property Development, Inc., the Company changed its name to AyalaLand REIT, Inc. on April 12, 2019. On June 28, 2019, the Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc. The Company was listed in stock exchange on August 13, 2020.

As the first Real Estate Investment Trust (REIT) in the Philippines, AREIT is dedicated to owning and investing in a portfolio of income-generating commercial properties, including office, retail, and hotel spaces that align with its investment criteria.

AREIT offers an investment opportunity with a stable yield, distributing at least 90% of its distributable income from high-quality properties with strong tenant demand. Supported by Ayala Land and managed by experienced fund and property management companies, AREIT Fund Managers, Inc. (AFMI) and AREIT Property Managers, Inc. (APMI), respectively, the company is well-positioned for revenue and net operating income growth.

As of December 31, 2024, the Company is 55.39% collectively owned by Ayala land, Inc. (ALI) and subsidiaries, 6.20% owned by Buendia Christiana Holdings, Corp., a wholly-owned subsidiary of ACEN,<sup>2</sup> and the rest by the public. AREIT is listed with a total of 3,209,865,985 outstanding common shares. AREIT has a total market capitalization of ₱121.81 billion based on the closing price of ₱37.95 per common share on December 27, 2024, the last trading day of the year.

AREIT holds the distinction of being the first and largest Real Estate Investment Trust (REIT) in the Philippines. The Company is the commercial REIT of Ayala Land, Inc. (ALI). As a commercial REIT, AREIT is committed to expanding its portfolio in these key sectors while also exploring opportunities to diversify into other promising segments of the real estate market. This strategic approach aligns with AREIT's overarching goal of maximizing value for investors through agility and adaptability, ensuring sustained growth, profitability, and resilience in changing market conditions.

#### **Business Lines**

AREIT is a commercial REIT that specializes in cultivating a robust portfolio primarily consisting of income-generating commercial assets, including offices, malls, hotels, and industrial land across the nation.

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

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

---

<sup>2</sup> ACEN is 58.23% owned by Ayala Corporation through AC Energy and Infrastructure Corporation. Ayala Corporation likewise owns 51.85% of Ayala Land, Inc. (ALI), the majority stockholder of AREIT, Inc.

## **Distribution Methods of Services**

AREIT caters mostly to retail and office tenants. As of December 31, 2024, commercial office space comprised approximately 62% of the Company's total building gross leasable area. The major tenants of the properties include major international corporations engaged in shared services, business process outsourcing, banking and finance, insurance, and healthcare and pharmaceuticals.

## **Competition**

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

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

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

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

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

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

## **Suppliers**

The Company has a broad base of suppliers, and is not dependent on one or a limited number of suppliers. Presently, the major suppliers of the Properties are primarily third-party companies in charge of particular building functions. These include manpower services, such as janitorial/housekeeping, technical maintenance, and security.

## **Customers**

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

## **Transactions with related parties**

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

### **Government approvals/regulations**

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

### **Risks**

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

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

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

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

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

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

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

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

### **Working Capital**

AREIT finances its working capital requirements through internally generated cash.

## Item 2. Properties

- **Solaris One**, a 24-storey, Grade A, PEZA-accredited commercial building previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sqm. of and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines.
- **Ayala North Exchange**, a Grade A, mixed-use development, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The GLA of Ayala North Exchange is 95,300.35 sqm. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines.
- **McKinley Exchange**, a 5-storey Grade A, PEZA-accredited commercial building, which began operations in 2015, with GLA of 10,687.50 sq. m., 9,633.32 sqm. of which is designated for commercial office leasing, located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two (2) basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, AREIT entered a Contract of Lease with Ayala Land, Inc. for the lease of the commercial building.
- **Teleperformance Cebu**, a Grade A, PEZA-accredited commercial building, consists of two office towers, completed in 2011 with a combined GLA of 18,092.66 sqm located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- **The 30<sup>th</sup> Commercial Development**, a mixed-use development composed of a 19-storey PEZA-accredited office tower with GLA of 47,871 sqm supported by a four (4) storey retail podium with GLA of 26,833 sqm., located along Meralco Avenue in Pasig City.
- **Laguna Technopark Industrial Lots**, totaling 98,179 sqm, AREIT owns four parcels of industrial land located in Binan, Laguna, currently occupied by Integrated Micro-Electronics Inc. (IMI), under a long-term lease for its global manufacturing and technology solutions.
- **Vertis North Commercial Development**, a mixed-use development located in North Avenue, North Triangle, Quezon City, which consists of three (3) office towers situated on top a four (4)-storey retail podium known as Vertis North Commercial Development. The three (3) office towers consist of 19, 20, and 20-storeys, respectively. All office towers are PEZA-accredited business process outsourcing offices designed for 24/7 operations, and are Leadership in Energy and Environmental Design ("LEED")-certified. There are four (4) levels of basement parking. The retail podium was completed in 2017, while the office towers 1, 2, and 3 were completed in 2018, 2018, and 2019, respectively. The GLA of the retail podium is 39,305.76 square meters (sq. m.), while the office towers are composed of 125,507.39 sq. m. of GLA. The land on which Vertis North Corporate Center stands is being leased from Ayala Land, Inc.
- **One Evotech**, a four (4)-storey PEZA-accredited, LEED Silver Certified, campus type, BPO office designed for 24/7 operations, with a gross leasable area of 12,049 sq. m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT with a remaining term of 37 years.
- **Two Evotech**, a 5-storey PEZA-accredited, BPO office designed for 24/7 operations, with with a gross leasable area of 11,675 sq.m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT for a remaining term of 37 years.

- **Bacolod Capitol Corporate Center**, a seven (7)-storey PEZA-accredited BPO building designed for 24/7 operations, with a gross leasable area of 11,313 sq. m. The land on which Bacolod Capitol Corporate Center stands is owned by the Province of Negros Occidental, and is leased by AREIT from the Province of Negros Occidental with a remaining term of 40 years.
- **Ayala Northpoint Technohub**, a two (2)-storey PEZA-accredited BPO office facility designed for 24/7 operations with a gross leasable area of 4,653 sq.m., The site is located at The District North Point, Barangay Zone 15, Talisay City, Negros Occidental. and is under a land lease agreement with ALI with a remaining term of 37 years.
- **BPI-Philam Life Makati**, composed of three (3) office condominium units with a gross leasable area of 1,072 sq.m. located at the 19th floor, Ayala Life FGU Center, 6811 Ayala Avenue, Makati City. The land on which the building stands is owned by the Ayala Life FGU Center Condominium Corporation.
- **BPI-Philam Life Alabang**, consists of six (6) office condominium units with total leasable area of 551 sq. m. located at the 7th floor of BPI-Philam Life Alabang, Alabang-Zapote Road corner Acacia Avenue, Madrigal Business Park, Muntinlupa City. The land on which the building stands is owned by the Ayala Life-FGU Center Alabang Condominium Corporation.
- **eBloc 1**, a twelve (12)-level, Philippine Economic Zone Authority ("PEZA")-accredited office development, located in Cebu IT Park with gross leasable area of 20,841.90 square meters (sq.m).
- **eBloc 2**, a seventeen (17)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 27,727.33 sq.m.
- **eBloc 3**, a twelve (12)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 15,233.00 sq.m.
- **eBloc 4**, a twelve (12)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 16,166.63 sq.m.
- **ACC Tower**, a twenty (20)-level, PEZA-accredited office development, located in Ayala Center Cebu, Cebu Business Park with gross leasable area of 27,517.00 sq.m.
- **Tech Tower**, a twelve (12)-level, PEZA-accredited office development, located along Sumilon corner Camiguin Roads, Cebu City with gross leasable area of 16,812.74 sq.m.
- **Glorietta 1 and 2 Mall Wings**, a four (4)-storey commercial development with three (3) basement floors and equipment, redeveloped in 2013, located in Makati Commercial Center, San Lorenzo Village, Makati City with a gross floor area of [68,673.84] sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **Glorietta BPO 1 and 2**, a Philippine Economic Zone Authority (PEZA)-accredited office development composed of two (2) BPO buildings, Glorietta BPO 1 with seven (7) storeys and Glorietta BPO 2 with eight (8) storeys, and equipment located within the Makati Commercial Center, San Lorenzo Village, Makati City with a gross floor area of 60,632.84 sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **One Ayala East Tower**, a twenty-three (23)-level, PEZA-accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Barangay San Lorenzo, Makati City, with a gross floor area of 58,351.01 sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **One Ayala West Tower**, an eighteen (18)-level, PEZA-accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Barangay San Lorenzo, Makati City, with a gross floor area of 59,014.91 sq. m. The land on which the building stands is owned by Ayala Land, Inc.
- **Marquee Mall**, a three (3)-level, commercial development and equipment, located along Francisco G. Nepo Avenue, Angeles City, Pampanga with a gross floor area of 66,041.04 sq. m. The land on which the building stands is owned by Northbeacon Commercial Corp.

- **Seda Lio**, a one hundred fifty-three (153)-room resort-hotel with a total gross floor area of 17,680 square meters (sq.m.) and the surrounding amenities. The land on which the resort-hotel stands is owned by Econorth Hotel Ventures, Inc.
- **Ayala Triangle Gardens Tower 2** is a premium, luxury office building completed in 2022 and has 63,150 sqm in gross leasable area. The office building sits at the tip of Ayala Triangle in Makati Central Business District. Company headquarters are tenants of the 39 floors of office.
- **Greenbelt 3 & 5 mall wings** are part of the interconnected Greenbelt complex, a group of flagship malls located in Makati City, the country's premier financial capital. The mall wings have a total gross leasable area of 93,732 sqm. Retail anchors, five-star hotels, and premium residential villages and condominiums are walking distance from the mall. Greenbelt 3 & 5 are home to flagship stores of both foreign luxury brands and affordable shopping, entertainment outlets, and outdoor walkways with landscaping.
- **Holiday Inn & Suites** is a five-star hotel that sits within Makati Central Business District. The 16-storey, 348 guest room hotel spans 26,218 sqm in gross leasable area. The roof deck is linked to the top of Glorietta Mall. The hotel also features amenities that include lobby and executive lounges, all day dining, a bar, function rooms, and a health and fitness club.
- **Seda Ayala Center Cebu** is a four-star hotel located within the Cebu Business Park in Cebu City. The 12-storey, 301 guest room hotel spans 13,579 sqm in gross leasable area. The hotel is surrounded by commercial and shopping centers and residential developments. The hotel also features amenities like lobby and executive lounges, all day dining, function rooms, and a fitness gym.
- **Palauig Land** is an industrial lot in Palauig, Zambales. The land is utilized for a solar farm. Residential and school developments and other solar farms neighbor the land.

### Item 3. Legal Proceedings

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

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

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

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

## PART II- SECURITIES OF THE REGISTRANT

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

#### Market Information

AREIT common shares are listed with the Philippine Stock Exchange.

	Philippine Stock Exchange Prices (in PhP/share)		
	High	Low	Close
	2024	2024	2024
First Quarter	35.85	31.50	35.20
Second Quarter	35.15	32.70	34.50
Third Quarter	39.10	34.30	36.60
Fourth Quarter	40.45	37.15	37.95

The market capitalization of AREIT, Inc as of end-2024, based on the closing price of ₱37.95 share, was approximately ₱121.81 billion.

The price information as of the close of the latest practicable trading date April 11, 2025 is ₱ 38.95 per share.

#### Stockholders

The Company has 33 registered stockholders as of March 21, 2025, and below are the top 20 stockholders:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1.	Ayala Land, Inc.	1,319,597,394	41.111%
2.	PCD Nominee Corporation (Filipino)	1,107,316,046	34.497%
3.	Ayalaland Malls, Inc.	287,186,771	8.947%
4.	Buendia Christiana Holdings Corp.	199,109,438	6.203%
5.	PCD Nominee Corporation (Non-Filipino)	124,601,654	3.882%
6.	Greenhaven Property Ventures, Inc.	77,505,974	2.415%
7.	Northbeacon Commercial Corporation	55,382,567	1.725%
8.	Cebu Insular Hotel Co., Inc.	38,326,934	1.194%
9.	Emily Chua Catienza	175,000	0.005%
10.	Manuel Gutierrez or Martina Maria Elizabeth Y. Gutierrez	137,900	0.004%
11.	James Esteves Takano	120,000	0.004%
12.	Beniya Antoinette Chua Catienza	115,000	0.004%
13.	Group 168 Holdings Corporation	110,000	0.003%
14.	Cesar Santos Rodriguez, Jr.	52,000	0.002%
15.	Han-Chun Chang	35,000	0.001%
16.	NSJS Realty and Development Corp.	25,000	0.001%
17.	Maria Victoria Romero San Pascual	24,000	0.001%
18.	Sylvette Young Tankiang	13,100	0.000%
19.	Daniel Inigo Simbulan Caringal	11,000	0.000%
20.	Alberto B. Guevara Jr. or Alberto F. Guevara III or Isabel F. Guevara	8,000	0.000%

A list of the company's top 100 stockholders as of December 31, 2024 can be found through this link: <https://www.aret.com.ph/wp-content/uploads/2025/01/AREIT-Top-100-Stockholders-as-of-December-31-2024.pdf>.

## Dividends

2024 Cash Dividend				
<u>Dividend policy</u>	<u>Per common share</u>	<u>Record Date</u>	<u>Payment Date</u>	
	0.55	March 04, 2024	March 20, 2024	
The Company	0.56	May 28, 2024	June 13, 2024	has adopted a accordance with the REIT Law, the Company's entitled to receive
dividend policy in	0.56	August 11, 2024	July 26, 2024	
the provisions of	0.58	November 27, 2024	December 13, 2024	
pursuant to which	0.58	March 5, 2025	March 21, 2025	
shareholders are				

at least 90% of annual Distributable Income for the current year. For 2023, the Company declared total dividends amounting to ₱6,376.28 million representing 92.58% of the Distributable Income for the year 2024.

	2024
Net income	₱7,317,064,621
Unrealized gains:	
Net fair value loss on investment properties	43,374,600
Straight-line adjustments recorded in rental income	(473,104,893)
Distributable Income	₱6,887,334,328

For 2024, dividends declared were as follows:

<u>Payment Date</u>	<u>Aggregate Amount Paid</u>
June 13, 2024	1,326,419,681
August 11, 2024	1,326,419,681
December 13, 2024	1,861,722,271
March 21, 2025	1,861,722,271
<b>Total Amount of Dividends Paid</b>	<b>6,376,283,904</b>
<b>% of Dividends to Distributable Income*</b>	<b>92.58%</b>

*\*As per Section 10 of Revenue Regulation NO. 13-2011, as amended, dividends distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth (5<sup>th</sup>) month from the close of the taxable year, shall be considered as paid on the last day of such taxable year.*

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

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

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

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

<b>Year</b>	<b>Dividends</b>	<b>Distributable Income</b>	<b>% of Dividends</b>
2022	3,118,754,323	3,436,517,020	90.75%
2023	4,454,566,783	4,931,289,156	90.33%
2024	6,376,283,904	6,887,334,328	92.58%

### **Recent Sale of Securities**

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

### **Corporate Governance**

- i. The evaluation system which was established to measure or determine the level of compliance of the Board and top-level management with its Revised Manual of Corporate Governance includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer. The Integrated Annual Corporate Governance (I-ACGR) of AREIT will be submitted to the SEC on or before May 30, 2025.
- ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.
- iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.
- iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

## **PART III- FINANCIAL INFORMATION**

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

#### **Review of FY 2024 operations vs FY 2023**

The Company's net income increased by 45% from P5,030.54 million in 2023 to ₱7,317.06 million in 2024. Net income before the net fair value change in investment properties increased by 49% from ₱4,931.29 million in 2023 to ₱7,360.44 million in 2024. The increase was mainly due to income from the contribution of additional properties acquired in July 2023, January 2024 and July 2024.

#### **Revenues**

Total revenues increased by 44% from ₱7,140.34 million in 2023 to ₱10,259.17 million in 2024. This growth was mainly driven by higher rental income and dues.

Rental income increased by 39% from ₱5,438.89 million in 2023 to ₱7,562.12 million in 2024. The increase was primarily attributable to the full year contribution of properties acquired in July 2023, and contribution of properties acquired in January and July 2024.

Dues increased by 23% from ₱1,250.61 million in 2023 to ₱1,535.01 million in 2024. The increase was attributable to the operations of new assets acquired in July 2023, January and July 2024.

Interest income from finance leases amounted to ₱450.83 million in 2023 to ₱1,162.03 million in 2024. This pertains to various lease agreements with ALI or related parties that was subjected to finance lease.

#### **Cost and Expenses**

Direct operating expenses increased by 34% from ₱1,978.49 million in 2023 to ₱2,659.67 million in 2024. The increase was primarily due to expenses from operations of additional properties acquired in July 2023, January and July 2024.

General and administrative expenses decreased by 28% from ₱126.35 million in 2023 to ₱91.33 million in 2024.

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

Interest income increased by 30% from ₱133.83 million in 2023 to ₱174.49 million in 2024. The increase was mainly due to increased interest income from intercompany loans.

Interest expense and other charges increased by 35% from ₱236.97 million in 2023 to ₱319.11 million in 2024. The increase was due to higher interest rates on short-term debt.

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

The Company recognized a reduction in fair value in investment properties of ₱43.37 million in 2024 and addition of ₱99.25 million in 2023.

#### **Provision for income tax**

Income tax provision increased from ₱1.07 million in 2023 to ₱3.11 million in 2024, due to the final tax on interest income from banks and short-term investments.

#### **Capital Expenditure**

The Company has no material commitments for capital expenditures.

## Summary of Real Estate Transactions for 2024

On September 25, 2024, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of ALI, Cebu Insular, Green Haven and BCHC to 841,259,412 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 19 March 2024.

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 30 September 2024 so that the recognition of income from the new assets will accrue to AREIT beginning 01 July 2024.

## Financial Condition

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

As of December 31, 2024, the Company's total borrowings registered at ₱2.0 billion which translated to a debt-to-equity ratio of 0.02:1.

Return on equity was at 7% as of December 31, 2024.

Key Financial Ratios	2024	2023
Current Ratio <sup>(1)</sup>	0.83	0.80
Debt to Equity <sup>(2)</sup>	0.02	0.04
Profitability Ratios		
Return on Asset <sup>(3)</sup>	7%	6%
Return on Equity <sup>(4)</sup>	7%	7%
Asset to Equity Ratio <sup>(5)</sup>	1.09	1.12
<sup>(1)</sup> Current assets/current liabilities <sup>(2)</sup> Total debt/Average Stockholder's equity <sup>(3)</sup> Total Net Income/Total Average Assets <sup>(4)</sup> Total Net Income/Average Stockholder's equity <sup>(5)</sup> Total asset/Total Stockholder's equity		

The Company actively manages its liquidity position to ensure that all operating, investing, and financing needs are met. Working capital requirements are sufficiently funded through cash collections. The Company secured credit line facilities with various local banks as approved by Board of Directors. As of December 31, 2024 the Company's available credit line is ₱23.5 billion.

There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.

No known trend, event, or uncertainty has had or is reasonably expected to materially impact the net sales, revenues, or income from continuing operations.

There is no significant element of income arising from continuing operations.

There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.

No known events and uncertainties will trigger direct or contingent financial obligation material to the Company, including any default or acceleration of an obligation.

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

## **LIQUIDITY AND CAPITAL RESOURCES**

### **For Year Ended December 31, 2024, versus For Year Ended December 31, 2023**

The Company ended a net increase in cash of ₱29.41 million for the year ended December 31, 2024.

Net cash flows provided by operating activities amounted to ₱7,299.12 million and ₱6,537.79 million for the year ended December 31, 2024, and 2023, respectively. The increase is mainly due to higher collections contributed by additional properties.

Cash flows used in Investing activities amounted to ₱88.23 million and ₱1,936.75 million for the year ended December 31, 2024, and 2023, respectively. This pertains mainly to due from related parties and additions to investment properties.

Cash flows used in Financing activities amounted to ₱7,181.47 and ₱4,622.03 million for the year ended December 31, 2024, and 2023. This pertains mainly to dividends and short-term loans.

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

#### **Assets**

Cash increased by 70% primarily due to higher cash flows from operating activities.

Receivables—current and noncurrent portion—increased by 80%, mainly due to additional properties. Higher finance lease receivables were contributed by the newly executed contracts for the building leases of Seda Lio, Greenbelt 3&5 Malls, Holiday Inn and Sebu Ayala Center Cebu.

Other current assets increased by 95% due to higher prepaid expenses pertaining to advance payment of real property taxes.

Investment properties increased by 25% mainly due to the acquisition of additional properties in January and July 2024.

Property and equipment decreased by 7% due to the depreciation for the period.

Other noncurrent assets decreased by 9% due to lower input VAT classified as noncurrent.

#### **Liabilities**

Short-term loans decreased by 33%, due to repayment of ₱1.0 billion in 2024.

Accounts and other payables increased by 40%, mainly due to additional payables from additional properties.

The current portion of deposits and other liabilities decreased by 40%, mainly due to lower advance payment.

Construction bonds amounted to ₱138.14 million as of December 31, 2024. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

The noncurrent portion of deposits and other liabilities increased by 12%, mainly due to increased security deposits and advance rent.

#### **Equity**

Total equity of ₱113,370.52 million as of December 31, 2024, 36% higher than December 31, 2023, at ₱83,409.84 million, due to increase in paid-up capital from ₱24,359.37 million in 2024 to ₱32,771.96 million in 2024. Retained earnings increased from ₱23,403.74 million in 2023 to ₱24,903.51 million in 2024.

**Property Performance as of December 31, 2024**

Property	Location	Valuation Date	Valuation cost (in Pesos, millions)	Total gross leasable area (GLA) (in sq.m)	Occupied GLA (in sq.m)	Occupancy rate	Remaining Land lease term	Rental Income (in Pesos, millions) <sup>1</sup>	Gross Revenues (in Pesos, millions)
Solaris	Makati	Dec 2024	7,377	46,768	44,016	94%	24	546	714
Ayala North Exchange <sup>1</sup>	Makati	Dec 2024	11,453	95,314	88,532	93%	34	747	1,017
MECC	Makati	Dec 2024	1,675	10,688	10,438	98%	30	154	185
TP Cebu	Cebu	Dec 2024	1,926	18,093	18,093	100%	27	168	212
The 30th	Pasig	Dec 2024	4,655	74,704	73,514	98%	32	422	582
Laguna Technopark Land	Laguna	Dec 2024	1,248	98,179	98,179	100%	n/a	90	90
Vertis <sup>1</sup>	Quezon City	Dec 2024	16,519	164,450	152,231	93%	34	1,226	1,563
BPI- Philam Makati	Makati	Dec 2024	86	1,072	660	62%	n/a	5	6
BPI- Philam Alabang	Muntinlupa	Dec 2024	30	212	212	100%	n/a	2	5
Bacolod Capitol	Negros Occidental	Dec 2024	769	11,313	11,313	100%	37	70	93
Ayala Northpoint	Negros Occidental	Dec 2024	209	4,654	4,654	100%	34	26	31
Evotech	Laguna	Dec 2024	2,986	23,727	23,439	99%	34	186	293
eBloc Towers 1 to 4	Cebu	Dec 2024	7,785	79,640	76,511	96%	34	636	857
ACC Tower	Cebu	Dec 2024	1,732	27,458	23,514	86%	34	188	198
Tech Tower	Cebu	Dec 2024	988	16,273	12,852	79%	34	85	95
One Ayala West and East Towers	Makati	Dec 2024	12,319	70,995	70,995	100%	40	1,487	1,653
Glorietta 1&2 BPOs and Mall <sup>1</sup>	Makati	Dec 2024	12,698	108,790	108,365	100%	35	544	962
Marque Mall <sup>1</sup>	Pampanga	Dec 2024	2,878	66,041	66,041	100%	24	-	181
SEDA Lio <sup>1</sup>	Palawan	Dec 2024	1,638	17,680	17,680	100%	25	-	103
Ayala Triangle Garden Tower 2	Makati	Dec 2024	13,954	63,150	61,887	98%	40	674	753
Greenbelt 3&5 Mall <sup>1</sup>	Makati	Dec 2024	7,055	93,732	93,732	100%	40	-	216
Holiday Inn <sup>1</sup>	Makati	Dec 2024	3,443	26,218	26,218	100%	25	-	105
Seda Ayala Center Cebu <sup>1</sup>	Cebu	Dec 2024	1,680	13,579	13,579	100%	40	-	56
Palauig Industrial land	Zambales	Dec 2024	6,857	2,759,135	2,759,135	100%	25	288	288

<sup>(1)</sup> Does not include portion of mall and hotel buildings under finance lease

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

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

### **Revenues**

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

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

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

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

### **Cost and Expenses**

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

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

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

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

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

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

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

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

## Provision for Income Tax

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

## Capital Expenditure

The Company has no material commitments for capital expenditures.

## Summary of Real Estate Transactions for 2023

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

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

## Financial Condition

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

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

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

Key Financial Ratios	2023	2022
Current Ratio <sup>(1)</sup>	0.80	0.43
Debt to Equity <sup>(2)</sup>	0.04	0.05
Profitability Ratios		
Return on Asset <sup>(3)</sup>	6%	5%
Return on Equity <sup>(4)</sup>	7%	5%
Asset to Equity Ratio <sup>(5)</sup>	1.12	1.13
<sup>(1)</sup> Current assets/current liabilities <sup>(2)</sup> Total debt/Average Stockholder's equity <sup>(3)</sup> Total Net Income/Total Average Assets <sup>(4)</sup> Total Net Income/Average Stockholder's equity <sup>(5)</sup> Total asset/Total Stockholder's equity		

- The Company's fixed-rate bond expired on December 28, 2023. This was refinanced through availment of a short-term bank loan. To manage liquidity risk, the Company has available credit lines with various banks amounting to P23.0 billion. The Company may also refinance its loan and manage the payment terms for its payables.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- No known trend, event, or uncertainty has had or is reasonably expected to materially impact the net sales, revenues, or income from continuing operations.

- There is no significant element of income arising from continuing operations.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- No known events and uncertainties will trigger direct or contingent financial obligation material to the Company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

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

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

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

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

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

#### **Assets**

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

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

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

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

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

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

#### **Liabilities**

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

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

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

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

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

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

### **Equity**

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

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

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

### **Revenues**

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

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

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

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

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

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

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

### **Cost and Expenses**

*Direct operating expenses* increased by 67% from ₱815.87 million in 2021 to ₱1,359.80 million in 2022. The increase was primarily attributable to an increase in taxes and licenses of ₱158.50 million, increase in management fee of ₱130.78 million, increase in land lease of ₱93.07 million, increase in repairs and maintenance of ₱82.07 million and increase in outside services of ₱55.12 million. These increases were related to the operations of additional properties acquired in October 2021 and 2022.

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

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

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

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

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

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

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

### **Provision for Income Tax**

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

### **Capital Expenditure**

The Company has no material commitments for capital expenditures.

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

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

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

### **Financial Condition**

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

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

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

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

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

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

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

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

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

### **LIQUIDITY AND CAPITAL RESOURCES**

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

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

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

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

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

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

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

##### **Assets**

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

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

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

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

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

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

## **Liabilities**

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

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

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

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

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

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

## **Equity**

*Total equity* of ₱60,072.89 million as of December 31, 2022, 23% higher than December 31, 2021 at ₱48,887.59 million, due to increase in paid-up capital from ₱15,089.11 million in 2021 to ₱17,610.47 million in 2022, increase in additional paid-in capital from ₱11,333.07 million in 2021 to ₱20,021.65 million in 2022. Retained earnings decreased from P22,465.41 in 2021 to P22,441 in 2022 due to the reduction in fair value of investment properties.

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

## Item 7. Financial Statements

The 2024 Audited Financial Statements of the Company are incorporated in the accompanying Index to Exhibits.

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

### Independent Public Accountants

- (a) The principal accountant and external auditor of the Company is the accounting firm of Isla Lipana & Co. (PwC) (Isla Lipana). The Board, upon the recommendation of the Company's Audit Committee, approved the election of Isla Lipana as the Company's external auditor for 2025 based on its performance and qualifications, and fixed remuneration amounting to Eight Hundred Eighty-Two Thousand Pesos (₱882,000.00), net of value-added tax and out-of-pocket expenses, with inflationary allowance of up to 5%.

The election of Isla Lipana, and the fixing of its remuneration will be presented to the stockholders for their approval at the Annual Stockholder's Meeting.

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

Pursuant to the General Requirements of Revised SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Isla Lipana as external auditor, with Mr. Zaldy D. Aguirre as the Partner-in-Charge since audit year 2024.

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

The Company has engaged the services of Isla Lipana during the two most recent fiscal years. There were no disagreements with Isla Lipana on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

- (d) **Audit and Audit- Related Fees**

The Company paid or accrued the following fees, including VAT, to its external auditor in the past two years:

Year	Audit Fees	Audit-Related Fees	Tax Fees	Non-Audit Fees
2024	₱840,000	₱35,000	₱0	₱0
2023	₱800,000	₱0	₱0	₱1,250,000

Isla Lipana was engaged by the Company for the annual and midyear review of financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2024 and 2023. The audit-related fees include assurance and services that are related to the performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements.

- (e) **Tax Fees**

In 2024, no tax services were rendered by Isla Lipana.

- (f) **Other Fees**

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

The Audit Committee reviewed the nature of non-audit services rendered by Isla Lipana and the corresponding fees and concluded that these are not in conflict with the audit functions of the external auditors.

The Audit Committee has an existing policy to review and to approve the audit and non-audit services rendered by the Company's external auditor, as provided under paragraph 3.4 (b) of the AREIT Audit Committee Charter. It does not allow the Company to engage the external auditor for certain non-audit services expressly prohibited by regulations of the SEC to be performed by an external auditor for its audit clients. This is to ensure that the external auditor maintains the highest level of independence from the Company, both in fact and appearance. The approval of audit-related and non-audit services of the external auditor is delegated to management, subject to the Company's Policy on Non-Audit Services.

## PART IV- MANAGEMENT AND CERTAIN SECURITY HOLDERS

### Item 9. Directors and Executive Officers

The write-ups below include positions held as of December 31, 2024 and in the past five years and personal data as of December 31, 2024, of directors and executive officers, unless otherwise stated.

#### **Board of Directors**

Anna Ma. Margarita B. Dy	Chairman, Non-Executive Director
Jose Eduardo A. Quimpo II	President & Chief Executive Officer
Augusto D. Bengzon	Non-Executive Director
Mariana Beatriz Zobel de Ayala	Non-Executive Director
Maria Theresa D. Marcial	Non-Executive Director
Omar T. Cruz	Lead Independent Director
Enrico S. Cruz	Independent Director
Sherisa P. Nuesa	Independent Director

**ANNA MARIA MARGARITA B. DY**, Filipino, 55  
Chairman, Non-Executive Director since October 1, 2023

**Committee memberships:**  
None

#### ***Skills and experience:***

Ms. Dy is the President and Chief Executive Officer, and Director of ALI since October 1, 2023. She is a member of the Management Committee of ALI since August 2008. She was an Executive Vice President of ALI from January 1, 2023 to September 30, 2023, and was a Senior Vice President from January 1, 2015 until December 31, 2022. Prior to becoming President of ALI, she was the Head of the Residential Business Group of ALI in 2022 and Head of the Malls Group in 2023. Before that, she also headed the Ayala Land Estates Group. Her other significant positions are: Chairman of Amaia Southern Properties, Inc., Ayalaland Premier, Inc., Ayala Land International Sales, Inc., Avida Land Corp., Alveo Land Corp., Avencosouth Corp., Altaraza Development Corporation, Amaia Land, Inc., Amicassa Process Solutions, Inc., Ayala Property Management Corporation, Ayalaland-Tagle Properties, Inc., BGWest Properties, Inc., BGNorth Properties, Inc., Bellavita Land Corp., Cagayan de Oro Gateway Corp., Vesta Properties Holdings, Inc. Portico Land Corp., and Solinea, Inc.; Vice Chairman of Aurora Properties, Inc., CECI Realty, Inc., and Ayala Greenfield Development Corporation; President of AKL Properties, Inc.; President and Chief Executive Officer of Fort Bonifacio Development Corporation; and Director of Accendo Commercial Corp., ALI Eton Property Development Corporation, Berkshires Holdings, Inc., Bonifacio Land Corporation, Columbus Holdings, Inc., Emerging City Holdings, Inc., Nuevocentro, Inc., Serendra, Inc. and Alveo-Federal Land Communities Inc. She started her career in IBM, Bain and Benpres Holdings and obtained an AB in Economics degree from Ateneo de Manila, a Master of Science in Economics from London School of Economics and a Master in Business Administration from Harvard Business School.

**Directorship in other publicly listed companies:**  
Ayala Land, Inc. and AyalaLand Logistics Holdings Corp.

**JOSE EDUARDO A. QUIMPO II**, Filipino, 45  
President and Chief Executive Officer since August 14, 2024

***Committee memberships:***

- Member of Executive Committee
- Member of Sustainability Committee

***Skills and experience:***

Mr. Quimpo is also a Vice President of ALI. Mr. Quimpo has extensive experience in investment banking, securities brokerage, and wealth management with his over 17 years in banking. Prior to joining ALI, he was a Senior Vice President of BDO Private Bank from October 2023 to March 2024. He was also the President of BDO Securities Corporation and Chief Operating Officer of BDO Capital & Investment Corporation, investment banking subsidiary of BDO Unibank, Inc., from March 2021 to September 2023. He was First Vice President and Co-Head of Corporate Finance of BDO Capital from 2018 to 2021. Prior to this he had senior roles in corporate finance of BDO Capital from 2014-2018 and prior to that in BPI Capital Corporation, the investment banking subsidiary of BPI, from 2007 to 2014. Mr. Quimpo obtained his Bachelor of Science in Management Engineering at Ateneo de Manila University in 2001.

***Directorship in other publicly listed companies:***

Mr. Quimpo is not a Director in any other publicly listed company.

**MARIA THERESA D. MARCIAL**, Filipino, 54  
Non-Executive Director since April 23, 2024

***Committee memberships:***

- Member of Sustainability Committee

***Skills and experience:***

Ms. Marcial is the President and Chief Executive Officer of BPI Wealth. She has cultivated 26 years of banking experience with expertise in strategic planning and finance, corporate banking, debt and equity capital markets, portfolio management, trust, and retail wealth management. She currently serves as Director of BPI Europe PLC, BPI AIA Life Assurance Corporation, BPI Wealth Hongkong Limited, BPI Wealth Singapore Pte Ltd, and BPI Wealth Builder Multi-Asset Mutual Fund, Inc. She previously served on the BPI Trust Committee and the board of BPI Investment Management Inc. Prior to her banking career, she worked for the National Economic and Development Authority and the Agricultural Policy Credit Council. Ms. Marcial previously served as President of the Fund Managers Association of the Philippines, President of the Trust Officers Association of the Philippines, Vice-Chairman of Capital Markets Development Committee of FINEX, and alternate Governor of the Market Governance Board of the Philippine Dealing and Exchange Corporation. Outside the office, Ms. Marcial dedicates her time to society and the environment. She is a Trustee and Treasurer of World Wide Fund for Nature (WWF) Philippines, Philippine Inter-Island Sailing Foundation (PISF) Inc., and Ocean Racing Club of the Philippines. She was recognized as one of Top 25 Most Influential Women in Asset Management in Asia by Asian Investor and Most Outstanding Alumnus of the University of the Philippines Los Baños. Ms. Marcial obtained her Master's Degree in Economics in 1994 from the University of the Philippines Diliman and BS Economics, cum laude, from the University of the Philippines Los Baños in 1990. She completed the Advanced Management Program at Harvard Business School in 2010 and the CFA Institute Investment Management Workshop also at Harvard Business School in 2006.

***Directorship in other publicly listed companies:***

Ms. Marcial is a Director Alternergy Holdings Corporation.

**AUGUSTO D. BENGZON**, Filipino, 61

Non-Executive Director since April 4, 2019

**Committee memberships:**

- Chairman of Executive Committee
- Member of Audit Committee

**Skills and experience:**

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

**Directorship in other publicly listed companies:**

Mr. Bengzon is not a Director in any other publicly listed company.

**MARIANA BEATRIZ ZOBEL DE AYALA**, Filipino, 36

Non-Executive Director since October 7, 2021

**Committee memberships:**

None

**Skills and experience:**

Ms. Zobel de Ayala is an Executive Director of Ayala Corporation, the oldest conglomerate in Southeast Asia, and concurrently a Senior Vice President of Ayala Land, one of the top three largest listed property developers in Southeast Asia. Ms. Zobel de Ayala currently heads its Leasing and Hospitality Group, overseeing Ayala Malls, Ayala Land Offices, Ayala Land Hospitality, and Ayala Land Leisure Estates. She is also a Board Director of Ayala Land and a member of its Executive, Risk Oversight, and Sustainability Committees. Currently, she serves as the Chairman and President of Ayalaland Malls, Inc. (formerly: ALI Commercial Center, Inc.); Vice Chairman of ALI Eton Property Development Corporation; Chairman of Ayalaland Offices, Inc., Chairman of Ayalaland Hotels and Resorts Corp., and Director of Fort Bonifacio Development Corporation, Alabang Commercial Corporation. She also serves as Chairman of Chirica Resorts Corporation, Ten Knots Development Corporation, Lio Resort Ventures Inc., Pangulasian Island Resort Corp., Ten Knots Phils., Inc., Regent Horizons Conservation Company, Inc., Swift Aerodrome Services, Inc., and ALI Capital Corp.; President & Director of Station Square East Commercial Corporation; and, Director of Cagayan de Oro Gateway Corp., Accendo Commercial Corp., and Cebu District Property Enterprise Inc. Aside from her directorships at the Ayala Land Group, Mariana also serves as a Board Director for several Ayala Group companies, such as

Ayala Healthcare Holdings, Inc., A&CO Holdings Corporation, ACX Holdings Corporation, ANKO JV Company, Inc., Ayala Group's ACTIVE Fund, WeAreAyala Business Club, Inc., and BPI's Asset Management and Trust Company. She was named a board advisor for Asia Partners, a Singapore-based growth equity firm with over USD1 bn in assets under management, focused on enabling the next generation of high-growth technology companies in Southeast Asia. She is also a board director of U-Go, a non-profit organization looking to drive education equality in emerging markets by providing scholarship grants to women in pursuit of a university education. Ms. Mariana Zobel de Ayala previously worked for the Bank of the Philippine Islands (BPI) as a Senior Vice President, leading the development of its marketing and digital platforms for its Consumer Bank. Before this position, she served as the Deputy Head of Ayala Malls and previously worked in project development across Ayala Land. She started working at the Ayala Group as a corporate strategy and business development associate at Ayala Corporation, supporting its portfolio reviews across the conglomerate and business development interests in the healthcare industry. Ms. Zobel de Ayala began her career at J.P. Morgan in New York. She obtained her BA in Social Studies (Philosophy, Politics, and Economics) from Harvard College and an MBA from INSEAD.

***Directorship in other publicly listed companies:***

Ayala Land, Inc.

***OMAR T. CRUZ***, Filipino, 70

Lead Independent and Non-Executive Director since June 28, 2019

***Committee memberships:***

- Member of Executive Committee
- Member of Risk Management and Related Party Transactions Review Committee
- Member of Audit Committee
- Member of Corporate Governance and Nomination Committee

***Skills and experience:***

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

***Directorship in other publicly listed companies:***

Mr. Cruz is not a Director in any other publicly listed company.

***ENRICO S. CRUZ***, Filipino, 67

Independent and Non-Executive Director since February 5, 2020

***Committee memberships:***

- Member of Risk Management and Related Party Transactions Review Committee
- Chairman of Audit Committee
- Member of Corporate Governance and Nomination Committee

***Skills and experience:***

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

***Directorship in other publicly listed companies:***

Security Bank Corporation, Robinsons Retail Holdings, Inc., The Keepers Holdings, Inc. and DITO CME Holdings Inc.

**SHERISA P. NUESA**, Filipino, 70

Independent and Non-Executive Director since April 26, 2023

***Committee memberships:***

- Member of Risk Management and Related Party Transactions Review Committee
- Chairman of Sustainability Committee
- Chairman of Corporate Governance and Nomination Committee

***Skills and experience:***

Ms. Nuesa, is a Director of other publicly listed companies as follows: Independent Director of Integrated Micro-electronics, Inc. and Manila Water Company, Inc. and a non-executive Director of Far Eastern University and Metro Retail Stores Group Inc., where she serves as Chairman of the Board. She also sits in the Board of FEU subsidiary FERN Realty Corporation and concurrently a Senior Adviser to the Board of Vicsal Development Corporation. She is a member of the boards of trustees of the Financial Executives Institute (FINEX) Foundation and the NextGen Organization of Women Corporate Directors (NOWCD), where she holds the position of Vice President. She is also a Board Adviser to Justice Reform Initiative Inc. (JRI) where she was the former Chairperson for ten years since its inception. In the recent past, she is a former director of ALI and ACEN CORPORATION from 2020 until April 2023. She also held the positions of President and Director of the ALFM Mutual Funds Group, and Trustee and Fellow of the Institute of Corporate Directors (ICD) from 2012 to 2021. In addition to her background as a Chief Finance Officer and currently as a Board Director, she also held previous positions in management operations and is an accredited lecturer of both ICD and the FINEX Academy. She was the Chief Finance Officer and Chief Administration Officer of IMI from January 2009 to July 2010. She was then a Managing Director of Ayala Corporation and had served in various capacities in Ayala Corporation, ALI, and Manila Water Company, Inc. She co-led the Initial Public Offering (IPO) teams of Ayala Land, Inc., Cebu Holdings, Inc., Manila Water, and IMI. Ms. Nuesa received a Master of Business Administration degree from the Ateneo-Regis Graduate School of Business in Manila. She also

attended post-graduate courses in Harvard Business School and in Stanford University. She graduated summa cum laude in 1974, with a degree of Bachelor of Science in Commerce from the Far Eastern University, which named her as one of its Outstanding University Alumni. A Certified Public Accountant, she was awarded as the ING-FINEX CFO of the Year for 2008.

***Directorship in other publicly listed companies:***

Integrated Micro-electronics, Inc., Manila Water Company, Inc. Far Eastern University and Metro Retail Stores Group Inc.

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

All the incumbent directors are nominees to the Board.

**Management Committee Members / Key Executive Officers**

**Senior Leadership Team/Key Officers**

Jose Eduardo A. Quimpo II*	President & Chief Executive Officer
Ma. Teresa R. Famy	Treasurer & Chief Finance Officer
Rowena P. Libunao	Chief Audit Executive
Maria Franchette M. Acosta	Corporate Secretary
Ma. Florence Therese dG. Martinez-Cruz	Chief Compliance Officer & Assistant Corporate Secretary
Roscoe M. Pineda	Data Protection Officer
Maphilindo S. Tandoc	Chief Risk Officer

*\* Member of the Board of Directors.*

**MA. TERESA R. FAMY**, Filipino, 59, is the Treasurer and Chief Finance Officer of the Company. She was appointed as the Chief Finance Officer effective July 1, 2021, and as Treasurer of the Company effective August 12, 2021. She has been with the ALI Group for 17 years. Prior to her appointment in the Company, Ms. Famy was the Chief Finance Officer of the AyalaMalls Group, Alveo Land Corp., Ayala Land Premier, and Avida Land Corp. Prior to joining the ALI Group, Ms. Famy worked as an Auditor for SyCip Gorres Velayo and Co. She is a Certified Public Accountant and holds a Bachelor's Degree in Accounting from Divine Word College, Legazpi City.

**ROWENA P. LIBUNAO**, Filipino, 47, is currently the audit lead for Leasing and Hospitality. She has been with ALI Internal Audit for almost 13 years. Prior to joining Ayala Land, she worked as Internal Auditor for various companies engaged in banking, petroleum and stock exchange. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and a member of the Institute of Internal Auditors Philippines (IIAP). She holds a Bachelor of Science degree in Accountancy from the Pamantasan ng Lungsod ng Maynila.

**FRANCHETTE M. ACOSTA**, Filipino, 52, is the Corporate Secretary of AREIT, Inc. since March 13, 2024. She is the Corporate Secretary, Corporate Governance Group Head and Chief Legal Officer of Ayala Corporation. She is also the Corporate Secretary of ALI, ACEN CORPORATION, Globe Telecom, Inc. and Integrated Micro-electronics, Inc. She has been a practicing lawyer for 24 years, with 18 years in Villaraza & Angangco Law Firm where she was a Senior Partner, Co-Managing Partner and Head of its Corporate and Commercial Department. Ms. Acosta was also an Assistant Secretary at the Office of the Chief Presidential Legal Counsel of the Republic of the Philippines where she worked from 2001 to 2003 and recognized as an expert counsel in leading legal journals and publications such as Chambers Global, Chambers Asia Pacific and Legal 500. She is a consistent Asia Business Law Journal's top 100 lawyers of the Philippines. Atty. Acosta graduated from New York University with a Master of Laws in 2003 and ranked 3rd in the Philippine Bar Examination. She earned her Bachelor of Laws from the University of the Philippines College of Law in 1998 where she graduated Class Valedictorian and Cum Laude. She holds a Bachelor of Science in Business Economics from the University of the Philippines School of Economics in 1994 where she graduated Magna Cum Laude.

**MA. FLORENCE THERESE DG. MARTIREZ-CRUZ**, Filipino, 39, has served as the Assistant Corporate Secretary of AREIT, Inc. since November 14, 2022, and Chief Compliance Officer of the AREIT, Inc. since April 26, 2023. She is the Corporate Secretary of Ayalaland Logistics Holdings Corp. and AREIT Fund Managers, Inc., and concurrently the Head of Legal of AREIT, Inc. and Ayalaland Offices, Inc. She is the Compliance Officer for Anti-Money Laundering of ALI, and the Legal Group Head for ALI's Leasing and Hospitality Group, and ALI Legal's Banking, Finance, Securities, and Special Projects group. She was the Assistant Corporate Secretary of Ayala Land, Inc. from April 26, 2023 to May 28, 2024. Prior to joining Ayalaland Offices, Inc. in 2021, she was a Senior Counsel and Counsel for AG Counselors Corporation, from 2019 to 2021, and 2016 to 2019, respectively. Prior to joining the Ayala Land Group, she worked as an Associate at the Leynes Lozada-Marquez Law Offices and a legal consultant in the Office of Senator Maria Lourdes Binay. She graduated from the University of the Philippines in 2007 with a Bachelor of Arts degree in Public Administration and obtained her Juris Doctor in 2011 from the same University. She finished the Program on Negotiation and Leadership at Harvard Law School in 2019 and the Certification Course for Compliance Officers by the Center for Global Best Practices in 2022 and was included in the Legal 500's GC Powerlist Philippines 2023.

**ROSCOE M. PINEDA**, Filipino, 52, has served as the Data Protection Officer of our Company since January 1, 2024. He is a Vice President and Information Technology Director of the Residential Business Group of Ayala Land, Inc. He assumed the Chief Information Officer (CIO) position for the ALI Group effective on October 1, 2023, and appointed as Data Privacy Officer for the group on January 1, 2024. Mr. Pineda was the Service Center Lead for Technology and was also the Chief Operating Officer of ANZ Global Services and Operations in Manila. He was the Chief Shared Services Officer of the Asia Service Centre of Sun Life of Canada and was a VP of CHARTIS Technology and Operations Management Corp. (AIG Shared Services) in various senior roles. He was a member of the Board of Trustees of the Global In-house Centers Council of the Philippines, a company delegate and representative of the IT & Business Process Association of the Philippines and Contact Center Association of the Philippines. He is a bona fide member of the PMI.org and currently a Certified Project Management Professional. Mr. Pineda has a bachelor's degree in mathematics, Major in Computer Science from the University of Santo Tomas.

**MAPHILINDO S. TANDOC**, Filipino, 61, has served as the Company's Chief Risk Officer since April 21, 2022. He is currently ALI's Assistant Vice President and Chief Risk Officer under the office of the Chief Finance Officer. He started his career as a registered mechanical engineer and was first engaged in the contracting industry in 1986 at Koldwinds Systems Inc. (KSI), a company specializing in industrial heating, ventilating, air-conditioning and refrigerating (HVACR) systems where he handled installation, retrofit and maintenance projects. He joined PLDT Co., in 1989 as a Safety Engineer and eventually managed PLDT's Corporate Safety, Security and Environmental Management Divisions. In 2000, he was promoted to corporate Risk Manager, a role he performed up to 2004. From 2004 to 2006, he worked for Asian Terminals, Inc. (ATI), then P&O Ports Australian subsidiary, as Risk and Insurance Management Officer. In March 2006 joined ALI as the company's Risk Insurance Manager. He was promoted in 2012 to be the ALI's Chief Risk Officer managing enterprise-wide risk management programs. He functionally reports directly to the company's Board Risk Oversight Committee and administratively reports to the company's Chief Finance Officer. Aside from handling enterprise-wide risk management programs, he is also managing on a concurrent basis the company's vast portfolio of insurance programs and is designated as the corporate Safety Officer of the company. He is a DOLE accredited occupational safety and health consultant and was one of the founding members of the Association of Safety Practitioners of the Phils., Inc. (ASPPI) in 1999 where he eventually became the Chairman until he exited in 2008. He is currently a Board Director of the Safety Organization of the Phils., Inc. (SOPI).

## Item 10. Compensation of Directors and Executive Officers

### (a) Executive Compensation

Name and Principal Position	Year	Salary	Other Annual Compensation
		(in Millions)	
Jose Eduardo A. Quimpo II (President/CEO)			
Ma. Teresa R. Famy (Treasurer/Chief Finance Officer)			
Rowena P. Libunao (Chief Audit Executive)			
Maphilindo S. Tandoc (Chief Risk Officer)			
CEO and most highly compensated Executive Officers	2023 Actual		
	2024 Actual	₱11.55M	₱4.48M*
		₱14.19M	₱3.53M
All other officers** and directors as a group unnamed	2023 Actual	₱3.94M	₱1.37M
	2024 Actual	₱1.77M	₱0.59M

\* Exclusive of Stock Option exercise

\*\* Managers and up

The executive officers are all seconded from ALI, and they receive no compensation, salary, or per diem from the Company. The amounts stated above cover the compensation of the executive officers of AREIT as secondees from ALI. Other variable pay paid to the officers by ALI covers bonuses. The total annual compensation of the President and the highly compensated executives amounted to ₱16.03 million in 2023, and ₱17.72 million in 2024. The projected total annual compensation of the President and top five highly compensated executives for 2025 is projected at ₱26.38 million.

The total annual compensation of all directors and senior personnel was paid in cash.

### (b) Compensation of Directors

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

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

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

The amount of the annual compensation of all directors and principal officers of the Corporation shall be fixed subject to the provision of the REIT Act and other applicable laws, rules, and regulations. No director shall be involved in the determination of his own per diem or compensation during his incumbent term.”

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

The independent directors to receive the following per diems per meeting attended (as approved by the stockholders on April 4, 2019:

Board meeting fee	₱40,000.00
Committee meeting fee	₱20,000.00

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

The Board of Directors resolved to recommend to the stockholders, for their approval at their annual meeting on April 24, 2025, an increase in the compensation of independent or non-executive directors, which increase in compensation is as follows:

	FROM	TO
Board meeting fee	₱40,000.00	₱60,000.00
Committee meeting fee	₱20,000.00	₱30,000.00

In accordance with the requirement of Sections 29 and 49 of the Revised Corporation Code relating to an annual report of the total compensation of each director, below is a table showing the gross compensation received by the non-executive and independent directors in 2024. Executive Directors do not receive compensation as directors.

NON-EXECUTIVE / INDEPENDENT DIRECTOR	BOARD MEETINGS	COMMITTEE MEETINGS	TOTAL
Omar T. Cruz	₱280,000.00	₱200,000.00	₱480,000.00
Enrico S. Cruz	280,000.00	200,000.00	480,000.00
Sherisa P. Nuesa	280,000.00	120,000.00	400,000.00
Maria Theresa D. Marcial	240,000.00	20,000.00	260,000.00
<b>Total</b>	<b>₱1,080,000.00</b>	<b>₱540,000.00</b>	<b>₱1,620,000.00</b>

**ii. Other Arrangement**

Aside from the compensation received as herein stated, the Company has no other arrangement with regard to the remuneration of its existing non-executive and independent directors for services provided as a director.

The Company's Corporate Governance and Nominations Committee is chaired by Ms. Sherisa P. Nuesa, with Enrico S. Cruz and Omar T. Cruz as members. The Chairman and members are all independent directors.

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

### (i) Security ownership of record and beneficial owners of more than 5% as of March 21, 2025:

TITLE OF CLASS OF SHARES	NAME AND ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	PERCENT OF OUTSTANDING SHARES
Common	Ayala Land, Inc. (ALI) <sup>3</sup> 31F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Land, Inc. <sup>4</sup>	Filipino	1,319,597,394	41.111%
Common	PCD Nominee Corporation (Filipino) <sup>5</sup> G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers <sup>6</sup>	Filipino	1,107,316,046	34.497%
Common	AyalaLand Malls, Inc. <sup>7</sup>	AyalaLand Malls, Inc. <sup>8</sup>	Filipino	287,186,771	8.947%
Common	Buendia Christiana Holdings Corp. <sup>9</sup>	Buendia Christiana Holdings Corp. <sup>10</sup>	Filipino	199,109,438	6.203%

### (ii) Security ownership of directors and management (Executive Officers) as of March 21, 2025:

TITLE OF CLASS OF OUTSTANDING SHARES	NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF TOTAL OUTSTANDING SHARES
<b>Directors</b>				
Common	Anna Ma. Margarita B. Dy	1 (direct)	Filipino	0.000%
Common	Jose Eduardo A. Quimpo II	1 (direct)	Filipino	0.000%
Common	Mariana Beatriz E. Zobel de Ayala	1 (direct)	Filipino	0.000%
Common	Augusto D. Bengzon	1 (direct)	Filipino	0.000%
Common	Sherisa P. Nuesa	242,900 (indirect)	Filipino	0.008%
Common	Omar T. Cruz	962,901 (direct & indirect)		0.030%
Common	Enrico S. Cruz	2,600,001 (direct & indirect)	Filipino	0.081%
Common	Maria Theresa D. Marcial	1 (direct)	Filipino	0.000%
<b>CEO and most highly compensated officers</b>				
Common	Jose Eduardo A. Quimpo II	1 (direct)	Filipino	0.000%
Common	Ma. Teresa R. Famy	22,000 (indirect)	Filipino	0.001%

<sup>3</sup> ALI is the principal stockholder of the Company.

<sup>4</sup> Under the By-Laws of ALI and the Revised Corporation Code, the ALI Board has the power to decide how ALI's shares are to be voted.

<sup>5</sup> PCD is not related to the Company.

<sup>6</sup> Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The beneficial owner, with certification of ownership of shares from the PCD Participant, has the power to vote in absentia or through the Chairman of the meeting as proxy. Out of the 1,111,551,906 common shares registered in the name of PCD Nominee Corporation (Filipino), 222,634,800 or 6.93% of the outstanding capital stock is for the account of the Government Service Insurance System (GSIS). GSIS has not coordinated with the Company for the submission of SEC Form 18-A for beneficially owning more than 5% of the Company's common shares.

<sup>7</sup> AyalaLand Malls, Inc. is an affiliate of the Company for having ALI as their common stockholder owning at least 10% of their outstanding capital stock.

<sup>8</sup> The Board of AyalaLand Malls, Inc. has the power to decide how the shares are to be voted.

<sup>9</sup> Buendia Christiana Holdings Corporation is a related party of the Company.

<sup>10</sup> The Board of Buendia Christiana Holdings Corporation has the power to decide how the shares are to be voted.

Common	Rowena O. Libunao	0		Filipino	0.000%
Common	Maphilindo S. Tandoc	0		Filipino	0.000%
<b>Other Officers</b>					
Common	Maria Franchette M. Acosta	0		Filipino	0.000%
Common	Ma. Florence Therese dG. Martinez-Cruz	1,700	(indirect)	Filipino	0.000%
Common	Roscoe M. Pineda	0		Filipino	0.000%
<b>All Directors and Officers as a group</b>		<b>3,829,507</b>			<b>0.119%</b>

No director or member of the Company's management owns 2% or more of the outstanding capital stock of the Company.

**(iii) Voting trust holders of 5% or more**

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

**(iv) Changes in control**

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

**Foreign owned shares as of March 21, 2025:**

TYPE OF SHARES	TOTAL OUTSTANDING SHARES	SHARES OWNED BY FOREIGNERS	PERCENT OF OWNERSHIP
Common	3,209,865,985	124,191,054	3.869%

**Item 12. Certain Relationships and Related Transactions**

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

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

The table below sets out the principal ongoing transactions of the Company with related parties as of December 31, 2024. Additional information on the Company's Related Party Transactions can be found on Note 18 of the Audited Financial Statements.

RELATED PARTY (Receivables from)	NATURE OF TRANSACTION	AMOUNT (in PhP)	RELATIONSHIP
ALI and Affiliates	Building leases subject to Finance lease	19,673,140,935	Parent Company and Entities under common control
ALI	Regular leases of spaces and Loans	529,184,080	Parent Company
Affiliates	Regular leases of spaces and Loans	1,932,449,494	Entities under common control
Other related parties	Regular leases of spaces	301,869,331	Associate of Ayala Corporation
RELATED PARTY (Payable to)	NATURE OF TRANSACTION	AMOUNT (in PhP)	RELATIONSHIP
ALI	Leases of land and spaces, and Advances	588,810,099	Parent Company

Affiliates	Leases of land and spaces, Management Agreements, Advances, Utility Services	1,318,019,607	Entities under common control  The fees received by the AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. do not exceed one percent (1%) of the Net Asset Value of the assets under their respective management. Please refer to the Company's Audited Financial Statements.
Other related parties	Utility Services	72,980,387	Associate of Ayala Corporation

At the regular board meeting of the Company on February 19, 2025, upon the recommendation of AREIT Fund Managers, Inc., the Risk Management and Related Party Transactions Review Committee of the Company, approved and endorsed the subscription of ALI, and its subsidiaries, Accendo Commercial Corp. (Accendo), Cagayan de Oro Gateway Corp. (CDOGC), and Central Bloc Hotel Ventures, Inc. (CBHVI) (Accendo, CDOGC, and CBHVI are hereinafter referred to as "Subsidiaries") to an aggregate of 505,890,177 primary common shares of AREIT in exchange for eight (8) commercial buildings located in Davao, Cebu, and Cagayan de Oro, with an aggregate value of Twenty Billion Nine Hundred Ninety-Four Million Four Hundred Forty-Three Thousand Three Hundred Forty-Five and 50/100 Pesos (₱20,994,443,345.50) under a property-for-share swap transaction at an issue price of ₱41.50 per share (Transaction Price), set at a ~2% premium over the thirty (30)-day volume weighted average price (30-day VWAP) or the Market Price of ₱40.68, as validated by a third-party fairness opinion issued by FTI Consulting Philippines, Inc. (FTI Consulting). In accordance with the Philippine Stock Exchange (PSE) Consolidated Listing and Disclosure Rules, Article V, Part A, Section 3, paragraph (a), "Market Price" means the volume weighted average of the closing prices for a period of thirty (30) Trading Days prior to the approval of the transaction. Transaction date refers to the date of approval of the Board of Directors when issue price was set. On even date, the Board of Directors of the Company, by unanimous vote likewise approved the transaction.

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

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

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

## PART V- CORPORATE GOVERNANCE

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

- i. The evaluation system which was established to measure or determine the level of compliance of the Board and top-level management with its Revised Manual of Corporate Governance includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer. The Integrated Annual Corporate Governance (I-ACGR) of AREIT will be submitted to the SEC on or before May 30, 2025.
- ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.
- iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.
- iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

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

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

The following exhibit is incorporated by reference in this report.

#### 2024 Audited Financial Statements

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

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

The following current reports have been reported by AREIT during the year 2024.

Unstructured Disclosures
<ul style="list-style-type: none"><li>• Notice of Resetting of the 2024 Annual Stockholders' Meeting</li><li>• 4Q 2023 Reinvestment Plan Progress Report (205 million share sale)*</li><li>• 2023 Annual Reinvestment Plan Progress Report (205 million share sale)*</li><li>• Seda Lio Acquisition Press Release</li><li>• Acquisition of Asset (Seda Lio)</li><li>• AREIT EDGE-Zero Carbon Certification for 8 Office Buildings Press Release</li><li>• Reinvestment Plan (181 million share sale)*</li><li>• Results of the Special Stockholders' Meeting</li><li>• Notice of FY 2023 Analyst Briefing</li><li>• FY 2023 Results Press Release</li><li>• 4Q 2023 Declaration of Cash Dividends</li><li>• Notice of Conduct of the Annual Stockholders' Meeting</li></ul>

- Change in Directors and/or Officers (Resignation of Officer)
- FY 2023 Audited Financial Statements
- Detailed Notice and Agenda of the 2024 Annual Stockholders' Meeting
- Change in Directors and/or Officers (Election of Officer)
- Execution of Deed of Exchange between AREIT, Inc., Ayala Land, Inc., and its subsidiaries, Greenhaven Property Ventures, Inc. and Cebu Insular Hotel Co., Inc., and Buendia Christiana Holdings Corp.
- Property-for-Share Swap between AREIT, Inc., Ayala Land, Inc., and its subsidiaries, Greenhaven Property Ventures, Inc., and Cebu Insular Hotel Co., Inc. and Buendia Christiana Holdings Corp.
- Q1 2024 Reinvestment Plan Progress Report (205 million share sale)\*
- Final Reinvestment Plan Progress Report (205 million share sale)\*
- Q1 2024 Reinvestment Plan Progress Report (181 million share sale)\*
- Results of the 2024 Annual Stockholders' Meeting
- Results of the Organizational Meeting of the Board of Directors
- Q1 2024 Results Press Release
- Q1 2024 Declaration of Cash Dividends
- Q2 2024 Declaration of Cash Dividends
- Reinvestment Plan (98 million share sale)\*
- Q2 2024 Reinvestment Plan Progress Report (181 million share sale)\*
- Q2 2024 Reinvestment Plan Progress Report (98 million share sale)\*
- Notice of 1H 2024 Analyst Briefing
- 1H 2024 Results Press Release
- Results of the Board of Directors' Meeting (August 15, 2024)
- Change in Directors and/or Officers (Resignation and Election of Officer)
- Disposition of Asset (3 Office Condominium Units at Ayala-Life FGU Center Alabang)
- Reinvestment Plan (3 condominium units at Ayala-Life FGU Center Alabang sale)
- Final Reinvestment Plan Progress Report (3 condominium units at Ayala-Life FGU Center Alabang sale)
- Reinvestment Plan (75 million share sale)\*
- 3Q 2024 Reinvestment Plan Progress Report (181 million share sale)\*
- 3Q 2024 Reinvestment Plan Progress Report (98 million share sale)\*
- 9M 2024 Results Press Release
- Q3 2024 Declaration of Cash Dividends
- Setting of the 2025 Annual Stockholders' Meeting
- Three-Year Investment Strategy

*\* filed in parallel with Ayala Land, Inc. as the Sponsor of AREIT, Inc.*

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

None.

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

On February 19, 2025, the Board of Directors of AREIT, Inc. (AREIT) approved the acquisition of commercial properties located in Cebu, Davao, and Cagayan de Oro from its sponsor Ayala Land, Inc. (ALI) and its subsidiaries, The Board approved a property-for-share swap transaction with ALI and subsidiaries, Accendo Commercial Corp. (Accendo), Cagayan de Oro Gateway Corp. (CDOGC), and Central Bloc Hotel Ventures, Inc. (CBHVI) involving subscription of ALI and the subscription of 505,890,177 primary common shares, in exchange for the following assets: (1) Central Bloc, (2) Central Bloc Two, (3) Ayala Malls Central Bloc, (4) Seda Hotel Central Bloc, (5) Ayala Malls Abreeza, (6) Abreeza Corporate Center, (7) Ayala Malls Centrio, and (8) Centrio Corporate Center, with a transaction value of P21.0 billion at an exchange price

of P41.50 per share, as validated by a third-party fairness opinion. The transaction shall be submitted for approval of AREIT shareholders at their Annual Stockholders' Meeting on April 24, 2025, and pertinent regulatory bodies thereafter.

## SIGNATURES

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

MAKATI CITY on APR 08 2025, 2025.

By:

  
**Jose Eduardo A. Quimpo, II**  
President and Chief Executive Officer *for*

  
**Ma. Teresa R. Famy**  
Treasurer and Chief Finance Officer *for*

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

APR 08 2025

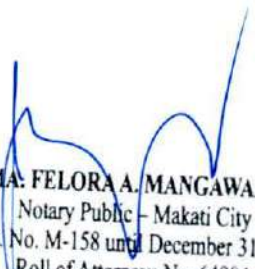
**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2024 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	ID Number	DATE OF ISSUE	PLACE OF ISSUE
Jose Eduardo A. Quimpo, II	Phil. Passport No. P9272745B	March 22, 2022	DFA Manila
Ma. Teresa R. Famy	Phil. Passport No. P8757104B	January 25, 2022	DFA Manila
Ma. Florence Therese dG. Martinez-Cruz	UMID CRN-0111- 3606313-0		

Doc No. 393  
Page No. 80  
Book No. VII  
Series of 2025.



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

  
**MA. FELORA A. MANGAWANG**  
Notary Public - Makati City  
Appt. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MRT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII-0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**AREIT, INC.**

**INDEX TO EXHIBITS  
Form 17-A**

No.

(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	n.a.
(5)	Instruments Defining the Rights of Security Holders, including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(9)	Material Contracts	n.a.
(10)	2024 Audited Financial Statement (with notarized Statement of Management Responsibility)	
	Attached 2024 Financial Statement of “significant” subsidiaries/affiliates which are not consolidated	n.a.
(13)	Letter re: Change in Certifying Accountant	n.a.
(15)	Letter re: Change in Accounting Principles	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrants	n.a.
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits 2024 Appraisal reports of the properties	

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

**AREIT, INC.**

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

**Supplementary Schedules** *(For schedules A- G please refer to pages 97 to 119)*

Report of Independent Public Accountants on Supplementary Schedules

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

Other Supporting Schedules

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

**Sustainability Report**

A copy of AREIT's 2024 Integrated Report, will be available on the link below on or before the date of its Annual Stockholders' Meeting on April 24, 2025

<https://www.aret.com.ph/resources/annual-reports/>



February 19, 2025

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AREIT, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2024, 2023 and 2022 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

  
**JOSE EDUARDO A. QUIMPO II**  
President & Chief Executive Officer

  
**MA. TERESA R. FAMY**  
Chief Finance Officer

FEB 25 2025

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

Name	Passport No.	Date/Place of Issue
Anna Ma. Margarita B. Dy	P6087936B	January 6, 2021 – DFA Manila
Jose Eduardo A. Quimpo II	P9272745B	March 22, 2022 – DFA Manila
Ma. Teresa R. Famy	P8757104B	January 25, 2022 – DFA Manila

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

Doc. No. 279  
Page No. 57  
Book No. VIII  
Series of 2025.



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

  
**MA. FELORA A. MANGAWANG**  
Notary Public – Makati City  
App. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 – Makati City  
PTR No. MKT10473034 – 01/06/2025 – Makati City  
MCLE Compliance No. VII – 0006702 – 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	6	1	3	8	7	0
---	---	---	---	---	---	---	---	---	---	---

**Company Name**

[illegible][illegible][illegible][illegible]

Principal Office (No./Street/Barangay/City/Town/Province)

2	8	t	h		F	l	o	o	r	,		T	o	w	e	r		O	n	e		a	n	d					
---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	---	--	---	---	---	--	---	---	---	--	--	--	--	--

E	x	c	h	a	n	g	e		P	l	a	z	a	,		A	y	a	l	a		T	r	i	a	n	g	l	e
---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	---	--	---	---	---	---	---	---	---	---

A	y	a	l	a		A	v	e	n	u	e	,		M	a	k	a	t	y		C	i	t	y					
---	---	---	---	---	--	---	---	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	--	--	--	--	--

[illegible]

### Form Type

A	F	S	
---	---	---	--

Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, if applicable

N	/	A	
---	---	---	--

## COMPANY INFORMATION

**Company's Email Address**ali.ccs@amicassa.com.ph

**Company's Telephone Number(s)**

**(02) 7908-3804**

Mobile Number

N/A
-----

No. of Stockholders

14

Annual Meeting (Month/Day)

4/23

Fiscal Year (Month/Day)

12/31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

**Ma. Teresa R. Famy**

Email Address

famy.myrra@ayalaland.com.ph

**Telephone Number(s)**

\_\_\_\_\_

Mobile Number

N/A
-----

**Contact Person's Address**

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

**NOTE1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated. 2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## **Independent Auditor's Report**

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

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

#### **Our Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AREIT, Inc. (the "Company") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard (PFRS) Accounting Standards.

#### *What we have audited*

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in equity for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the financial statements, comprising material accounting policy information.

#### **Basis for Opinion**

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

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

#### *Independence*

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

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



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

### **Other Matter**

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

### **Our Audit Approach**

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

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

### ***Key Audit Matters***

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

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



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

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<b>Valuation of investment properties</b>	
<p>Refer to Notes 5 and 19.2 to the financial statements for the details of the investment properties and discussion on critical accounting estimates and assumptions.</p> <p>As at December 31, 2024, investment properties, carried at fair value, amount to P97.58 billion, which is approximately 79% of the total assets of the Company. The determination of fair values by the management and an external appraiser involves significant estimation using assumptions such as discount rates and growth rates, which are influenced by the prevailing market rates and comparable information. A fair value assessment is performed regularly based on the requirements of PFRS 13, <i>Fair Value Measurement</i>, and Philippine Accounting Standard (PAS) 40, <i>Investment Property</i>.</p>	<p>We obtained the latest appraisal reports for investment properties as at December 31, 2024 and assessed the appropriateness of the valuation methodology and significant fair value inputs and assumptions used.</p> <p>We tested the significant inputs and assumptions by establishing our independent estimates based on the current market and economic conditions as well as the Company's historical experience. Further, we assessed the reasonableness of the valuation of investment properties through benchmarking with comparable properties in the market. In performing these procedures, we involved our internal valuation expert.</p> <p>We evaluated the competence and objectivity of the external appraiser engaged by the Company by reviewing their profile, licenses, and client portfolio.</p> <p>We also checked the appropriateness and sufficiency of the note disclosures on the valuation of investment properties in accordance with the requirements of PFRS 13 and PAS 40.</p>



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

### **Other Information**

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting 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.

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



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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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



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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zaldy D. Aguirre.

**Isla Lipana & Co.**

A handwritten signature in black ink, appearing to read 'Zaldy D. Aguirre', written over a horizontal line.

Zaldy D. Aguirre  
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 3, 2025, Makati City

TIN 221-755-698

BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City  
February 19, 2025



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

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

We have audited the financial statements of AREIT, Inc. as at and for the years ended December 31, 2024 and 2023, on which we have rendered the attached report dated February 19, 2025. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration and Map of the Group of Companies within which the Reporting Entity belongs, as additional components required by Part I, Section 5 of the Revised SRC Rule 68, and Schedules A, B, C, D, E, F and G, as required by Part II of the Revised SRC Rule 68, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68.

**Isla Lipana & Co.**

A handwritten signature in black ink, appearing to read "Zaldy D. Aguirre".

Zaldy D. Aguirre  
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 3, 2025, Makati City

TIN 221-755-698

BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City  
February 19, 2025

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

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



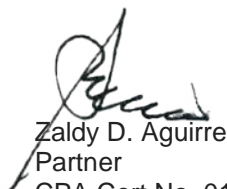
## **Statements Required by Rule 68 Securities Regulation Code (SRC)**

To the Board of Directors and Stockholders of  
**AREIT, Inc.**

28<sup>th</sup> Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the "Company") as at and for the years ended December 31, 2024 and 2023, and have issued our report thereon dated February 19, 2025. 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 (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the years ended December 31, 2024 and 2023 and no material exceptions were noted.

**Isla Lipana & Co.**



Zaldy D. Aguirre  
Partner

CPA Cert No. 0105660

P.T.R. No. 0024447, issued on January 3, 2025, Makati City

TIN 221-755-698

BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City  
February 19, 2025

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

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

**AREIT, Inc.**

Statements of Financial Position  
As at December 31, 2024 and 2023  
(All amounts in Philippine Peso)

	Notes	2024	2023
<b>Assets</b>			
<b>Current assets</b>			
Cash	2	71,173,448	41,758,546
Receivables, net	3	4,137,961,846	4,265,885,013
Other current assets	4	348,036,017	178,145,850
Total current assets		4,557,171,311	4,485,789,409
<b>Non-current assets</b>			
Receivables, net of current portion	3,16	19,628,763,009	8,926,820,448
Investment properties	5	97,579,387,207	78,255,747,008
Property and equipment, net	6	983,346	1,053,460
Other non-current assets	4	1,456,378,068	1,602,882,126
Total non-current assets		118,665,511,630	88,786,503,042
<b>Total assets</b>		<b>123,222,682,941</b>	<b>93,272,292,451</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts and other payables	7	2,979,327,838	2,127,536,764
Short-term debt	8	2,000,000,000	3,000,000,000
Current portion of deposits and other liabilities	9	388,962,761	649,210,862
Construction bonds	10	138,143,467	95,692,253
Total current liabilities		5,506,434,066	5,872,439,879
<b>Non-current liabilities</b>			
Deposits and other liabilities, net of current porti	9	3,097,435,509	2,773,205,028
Lease liabilities	16	1,248,290,844	1,216,810,735
Total non-current liabilities		4,345,726,353	3,990,015,763
Total liabilities		9,852,160,419	9,862,455,642
<b>Equity</b>			
	11		
Paid-up capital		32,771,959,550	24,359,365,430
Treasury shares		(673,299,700)	(673,299,700)
Additional paid-in capital		56,368,354,602	36,320,032,381
Retained earnings		24,903,508,070	23,403,738,698
Total equity		113,370,522,522	83,409,836,809
<b>Total liabilities and equity</b>		<b>123,222,682,941</b>	<b>93,272,292,451</b>

The notes on pages 1 to 39 are an integral part of these financial statements.

**AREIT, Inc.**

Statements of Comprehensive Income  
For the years ended December 31, 2024 and 2023  
(With comparative figures for the year ended December 31, 2022)  
(All amounts in Philippine Peso)

	Notes	2024	2023	2022
<b>Revenue</b>				
Rental income	5,12	7,562,124,980	5,438,890,870	3,807,533,243
Dues	5,13	1,535,013,696	1,250,613,030	1,042,991,455
Interest income from finance lease receivables	18	1,162,028,271	450,832,306	222,321,826
		10,259,166,947	7,140,336,206	5,072,846,524
<b>Costs and expenses</b>				
Direct operating expenses	5,15	2,659,670,235	1,978,492,974	1,359,803,642
General and administrative expenses	15	91,330,975	126,349,291	79,490,176
		2,751,001,210	2,104,842,265	1,439,293,818
<b>Other charges, net</b>				
Interest income	14	174,493,153	133,829,672	34,332,442
Interest expense and other charges	15	(319,328,672)	(236,970,210)	(231,243,666)
Other income	14	222,921	2,678	-
		(144,612,598)	(103,137,860)	(196,911,224)
<b>Net fair value change in investment properties</b>	5	(43,374,600)	99,254,883	(548,953,984)
<b>Income before income tax</b>		7,320,178,539	5,031,610,964	2,887,687,498
Income tax expense	17	3,113,918	1,066,925	124,462
<b>Net income for the year</b>		7,317,064,621	5,030,544,039	2,887,563,036
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		7,317,064,621	5,030,544,039	2,887,563,036
<b>Basic and diluted earnings per share</b>	21	2.62	2.60	1.91

The notes on pages 1 to 39 are an integral part of these financial statements.

# AREIT, Inc.

## Statements of Changes in Equity For the years ended December 31, 2024 and 2023 (With comparative figures for the year ended December 31, 2022) (All amounts in Philippine Peso)

	Paid-up capital (Note 11)	Treasury shares (Note 11)	Additional paid-in capital (Note 11)	Retained earnings (Note 11)	Total equity
<b>At January 1, 2022</b>	15,762,407,800	(673,299,700)	11,333,074,693	22,465,407,195	48,887,589,988
<b>Comprehensive income</b>					
Net income for the year	-	-	-	2,887,563,036	2,887,563,036
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,887,563,036	2,887,563,036
<b>Transactions with stockholders</b>					
Issuance of new shares, net	2,521,363,830	-	8,688,570,839	-	11,209,934,669
Cash dividends	-	-	-	(2,912,197,864)	(2,912,197,864)
Total transactions with stockholders	2,521,363,830	-	8,688,570,839	(2,912,197,864)	8,297,736,805
<b>At December 31, 2022</b>	18,283,771,630	(673,299,700)	20,021,645,532	22,440,772,367	60,072,889,829
<b>Comprehensive income</b>					
Net income for the year	-	-	-	5,030,544,039	5,030,544,039
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,030,544,039	5,030,544,039
<b>Transactions with stockholders</b>					
Issuance of new shares, net	6,075,593,800	-	16,298,386,849	-	22,373,980,649
Cash dividends	-	-	-	(4,067,577,708)	(4,067,577,708)
Total transactions with stockholders	6,075,593,800	-	16,298,386,849	(4,067,577,708)	18,306,402,941
<b>At December 31, 2023</b>	24,359,365,430	(673,299,700)	36,320,032,381	23,403,738,698	83,409,836,809
<b>Comprehensive income</b>					
Net income for the year	-	-	-	7,317,064,621	7,317,064,621
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	7,317,064,621	7,317,064,621
<b>Transactions with stockholders</b>					
Issuance of new shares, net	8,412,594,120	-	20,048,322,221	-	28,460,916,341
Cash dividends	-	-	-	(5,817,295,249)	(5,817,295,249)
Total transactions with stockholders	8,412,594,120	-	20,048,322,221	(5,817,295,249)	22,643,621,092
<b>At December 31, 2024</b>	32,771,959,550	(673,299,700)	56,368,354,602	24,903,508,070	113,370,522,522

The notes on pages 1 to 39 are an integral part of these financial statements.

**AREIT, Inc.**

Statements of Cash Flows  
For the years ended December 31, 2024 and 2023  
(With comparative figures for the year ended December 31, 2022)  
(All amounts in Philippine Peso)

	Notes	2024	2023	2022
<b>Cash flows from operating activities</b>				
Income before income tax		7,320,178,539	5,031,610,964	2,887,687,498
Adjustments for:				
Net fair value change in investment properties	5	43,374,600	(99,254,883)	548,953,984
Depreciation	6,15	290,415	222,922	90,634
Interest expense and other charges		253,945,021	235,222,482	208,368,633
Interest income from finance lease receivables	18	(1,162,028,271)	(450,832,306)	(222,321,826)
Interest income from cash in banks and intercompany loans	14	(174,493,153)	(133,829,672)	(34,332,442)
Operating income before working capital changes		6,281,267,151	4,583,139,507	3,388,446,481
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables		(88,171,163)	(834,379,771)	(340,416,374)
Other assets		(23,386,108)	64,510,953	120,810,161
Increase (decrease) in:				
Deposits and other liabilities		63,786,423	1,402,477,986	(66,409,250)
Accounts and other payables		851,791,075	961,192,923	534,464,897
Construction bonds		42,451,214	(2,892,023)	40,004,636
Cash generated from operations		7,127,738,592	6,174,049,575	3,676,900,551
Interest received		174,493,153	364,810,118	256,654,268
Income tax paid		(3,113,919)	(1,066,925)	(124,462)
Net cash flows from operating activities		7,299,117,826	6,537,792,768	3,933,430,357
<b>Cash flows from investing activities</b>				
(Increase) decrease in due from related parties		1,220,523,319	(1,734,904,000)	(181,203,951)
Additions to:				
Investment properties	5	(1,347,523,071)	(201,172,225)	(81,462,725)
Property and equipment	6	(220,301)	(677,751)	(379,550)
Proceeds from disposal of investment property		38,985,000	-	-
Net cash flows used in investing activities		(88,235,053)	(1,936,753,976)	(263,046,226)
<b>Cash flows from financing activities</b>				
Payments of:				
Short-term debts	8	(1,000,000,000)	(3,300,000,000)	(890,000,000)
Cash dividends	11	(5,817,295,248)	(4,067,577,708)	(2,912,197,864)
Share issuance cost	11	(141,903,668)	(105,716,411)	(47,954,832)
Interest portion of lease liabilities	16	(55,230,076)	(53,896,170)	(49,232,653)
Interest on short-term and long-term debts	15	(167,038,879)	(94,843,339)	(100,256,144)
Proceeds from:				
Short-term debts	8	-	3,000,000,000	300,000,000
Net cash flows (used in) from financing activities		(7,181,467,871)	(4,622,033,628)	(3,699,641,493)
<b>Net (decrease) increase in cash</b>		29,414,902	(20,994,836)	(29,257,362)
<b>Cash</b>				
At January 1		41,758,546	62,753,382	92,010,744
At December 31	2	71,173,448	41,758,546	62,753,382

Non-cash investing and financing activities 23

The notes on pages 1 to 39 are an integral part of these financial statements.

## **AREIT, Inc.**

### Notes to the Financial Statements

As at and for the years ended December 31, 2024 and 2023

(With comparative figures and notes for the year ended December 31, 2022)

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

## **1 General information**

### *Corporate information*

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

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

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

As a REIT entity, the Company, provided it has complied with the requirements under the REIT Act, is entitled to the following:

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

As at December 31, 2024, the Company is 55.39% collectively owned by Ayala Land, Inc.(ALI) or (the “Parent Company”) and its subsidiaries, 6.20%-owned by Buendia Christiana Holdings, Corp. a wholly-owned subsidiary of AC Energy, and the rest by the public.

ALI’s parent is Ayala Corporation (AC). AC is 47.57%-owned by Mermac, Inc., and the rest by the public. Both ALI and AC are publicly-listed companies domiciled and incorporated in the Philippines.

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

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

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

These financial statements have been approved and authorized for issue by the Company's Board of Directors (BOD) on February 19, 2025.

## **2 Cash**

The account as at December 31 consists of:

	2024	2023
Cash on hand	232,500	232,500
Cash in banks	70,940,948	41,526,046
	71,173,448	41,758,546

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned for the years ended December 31, 2024, 2023 and 2022 are disclosed in Note 14.

There are no restrictions on the Company's cash balances as at December 31, 2024 and 2023.

## **3 Receivables, net**

The account as at December 31 consists of:

	Notes	2024	2023
Finance lease receivables	16,18	19,673,140,935	8,970,700,468
Due from related parties	18	2,763,502,905	3,572,116,662
Trade receivables - billed		1,475,918,230	764,788,173
Other receivables		2,866,119	2,349,543
		23,915,428,189	13,309,954,846
Allowance for credit losses		(148,703,334)	(117,249,385)
		23,766,724,855	13,192,705,461
Less: Non-current portion of finance lease receivables		(19,628,763,009)	(8,926,820,448)
Current portion of receivables		4,137,961,846	4,265,885,013

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

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

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

	Note	2024	2023
At January 1		117,249,385	60,404,901
Provision for doubtful accounts	15	31,453,949	56,844,484
At December 31		148,703,334	117,249,385

There were no receivables pledged as collaterals as at December 31, 2024 and 2023.

#### 4 Other assets

##### (a) Other current assets

The account as at December 31 consists of:

	2024	2023
Input VAT	79,914,038	163,381,035
Deferred input VAT	133,685,864	-
Prepaid expenses	110,243,518	-
Recoverable deposits	24,192,597	14,764,815
	348,036,017	178,145,850

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

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

Prepaid expenses pertains to advance payment of real property taxes for certain investment properties.

As at December 31, 2024 and 2023, the amount of input VAT includes claim for refund amounting to P24.73 million, which is still awaiting approval from the BIR.

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

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

The account as at December 31 consists of:

	2024	2023
Input VAT	1,178,310,216	1,173,692,852
Deferred input VAT	-	279,408,203
Creditable withholding taxes (CWT), net	270,444,100	148,405,356
Advances to contractors	7,623,752	1,375,715
	1,456,378,068	1,602,882,126

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

CWT represent the income tax amount withheld by the Company. These are recognized upon collection of the related income and utilized as tax credits against income tax due. The CWT can also be refunded subject to the approval of the BIR, hence recognized by the Company as net of related allowance for probable losses as follows:

	2024	2023
CWT	401,933,984	266,992,694
Allowance for probable losses on CWT	(131,489,884)	(118,587,338)
	270,444,100	148,405,356

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

	Note	2024	2023
At January 1		118,587,338	72,000,000
Provision for probable losses	15	12,902,546	46,587,338
At December 31		131,489,884	118,587,338

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

## 5 Investment properties

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

As at December 31, 2024, the investment properties are composed of 18 stand-alone buildings, six mixed-used properties, six condominium office units, and 285.73 hectares of land as follows:

Name of properties	Details and location
<i>Stand-alone buildings</i>	
Solaris One	One (1) building in Makati City
McKinley Exchange	One (1) building in Makati City
Teleperformance Cebu	One (1) building in Cebu I.T. Park, Cebu City
eBloc Towers 1-4	Four (4) towers in Cebu I.T. Park, Cebu City
ACC Tower	One (1) tower in Ayala Center Cebu, Cebu Business Park, Cebu City
Tech Tower	One (1) tower in Sumilon cor. Camiguin Roads, Cebu City
Evotech One and Two	Two (2) office buildings in Laguna
Bacolod Capitol Corporate Center	One (1) building in Bacolod City, Negros Occidental
Ayala Northpoint Technohub	One (1) building in Bacolod City, Negros Occidental
Marquee Mall	One (1) mall building in Angeles City, Pampanga
Seda Lio	One (1) hotel building in El Nido, Palawan
Greenbelt 3&5 Mall	Two (2) mall building in Makati City
Holiday Inn Makati	One (1) hotel building in Makati City
Seda Ayala Center Cebu	One (1) hotel building in Ayala Center Cebu, Cebu Business Park
<i>Mixed-use properties</i>	
Ayala North Exchange	Two (2) office towers and one (1) serviced apartment in Makati City
The 30th Commercial Development	One (1) office building and one (1) mall building in Pasig City
Vertis North Commercial Development	Three (3) office towers and one (1) mall building in Quezon City
One Ayala Development	Two (2) office towers in Makati, City
Glorietta 1&2	Two (2) office buildings and two (2) mall buildings in Makati, City
Ayala Triangle Garden Tower 2	One (1) office tower in Makati City
<i>Condominium office units</i>	
BPI-Philam Life Makati	Three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, Makati City
BPI-Philam Life Alabang	Three (3) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City
<i>Land parcels</i>	
Laguna Technopark	Four (4) land parcels in Laguna Technopark, Laguna
Palauig Industrial Lot	276 hectares in Palauig, Zambales

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

	Note	2024	2023
At January 1		78,255,747,008	60,871,459,005
Additions	11	29,950,343,079	22,680,869,285
Properties under finance lease	16	(10,544,343,280)	(5,497,931,010)
Disposal		(38,985,000)	-
Fair value adjustment		(43,374,600)	201,349,728
At December 31		97,579,387,207	78,255,747,008

### *Additions*

During the years ended December 31, 2024 and 2023, the Company entered into property-for-share swap transactions for certain investment properties in exchange of issuance of shares (Note 11).

On January 17, 2024, the Company entered into a Deed of Absolute Sale with Econorth Resort Ventures, Inc. (ERVI), a subsidiary of Ayala Land, Inc. (ALI), to acquire SEDA Lio, a hotel building for P1,192.00 million, exclusive of VAT. Simultaneous to the acquisition, the Company and ERVI, entered into a lease agreement for the room-resort hotel that is payable on quarterly guaranteed lease for a period of 25 years. The room-resort hotel building is operated by ERVI (Note 16).

### *Disposals*

In 2024, the Company sold its three (3) condominium office units in BPI-Philam Life Alabang located at Madrigal Business Park, Alabang, Muntinlupa City. In 2023, there were no disposals of investment properties. The proceeds from the disposal is equal to the fair value.

### *Fair value measurement*

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. As at December 31, 2024 and 2023, the fair value of the investment properties was determined by an independent and professionally qualified appraiser engaged by management.

As at December 31, 2024 and 2023, 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.

For the income approach, the fair value is calculated taking into consideration significant inputs and assumptions which are mainly the discount rate and growth rate.

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

The fair value of the Company's investment properties is categorized under Level 3 in the fair value hierarchy as at December 31, 2024 and 2023.

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

	2024	2023	2022
Fair value adjustment	461,055,134	201,349,728	(544,182,723)
Straight-line adjustment	(473,104,893)	(86,563,721)	17,813,632
Lease commissions	(31,324,841)	(15,531,124)	(22,584,893)
	(43,374,600)	99,254,883	(548,953,984)

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

	Notes	2024	2023	2022
Rental income	12	7,562,124,980	5,438,890,870	3,807,533,243
Dues	13	1,535,013,696	1,250,613,030	1,042,991,455
Direct operating expenses	15	2,659,670,235	1,978,492,974	1,359,803,642

There are no items of investment properties that are pledged as security to liabilities as at December 31, 2024 and 2023. There are no restrictions on selling or transferring investment properties as at December 31, 2024 and 2023.

There are no contractual purchase commitments for investment properties as at December 31, 2024 and 2023.

## 6 Property and equipment, net

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

	Note	2024	2023
<i>Cost</i>			
At January 1		3,285,878	2,608,127
Additions		220,301	677,751
At December 31		3,506,179	3,285,878
<i>Accumulated depreciation</i>			
At January 1		2,232,418	2,009,496
Depreciation	15	290,415	222,922
At December 31		2,522,833	2,232,418
Net book value at December 31		983,346	1,053,460

There are no items of property and equipment that are pledged as security to liabilities as at December 31, 2024 and 2023.

There are no contractual purchase commitments for property and equipment as at December 31, 2024 and 2023.

## 7 Accounts and other payables

The account as at December 31 consists of:

	Notes	2024	2023
Due to related parties	18	1,979,810,093	1,387,841,859
Accounts payable		817,595,440	375,385,620
Taxes payable		98,033,159	202,773,416
Accrued expenses			
Repairs and maintenance		46,898,065	50,708,775
Light and water		15,769,349	53,654,236
Outside services		7,470,752	47,142,815
Rent		2,176,896	869,176
Professional fees		29,529	2,150,753
Others		2,170,136	4,545,906
Retention payable		5,952,197	2,464,208
Interest payable	8	3,422,222	-
		2,979,327,838	2,127,536,764

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

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

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

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

## 8 Short-term debts

As at December 31, 2024, the Company's short-term debts pertain to short-term loans payable with a local bank, which are unsecured, with average term of 31 days (2023 - 32 days) and with average interest rate of 5.60% (2023 - 5.60%) (Note 18).

Interest expense on short-term debts are disclosed in Note 15.

## 9 Deposits and other liabilities

The account as at December 31 consists of:

	2024	2023
Security deposits	1,776,006,705	1,667,515,061
Advance rentals	1,329,637,726	1,428,973,801
Deferred credits	380,753,839	325,927,028
	3,486,398,270	3,422,415,890
Less: Current portion of deposits and other liabilities	(388,962,761)	(649,210,862)
Deposits and other liabilities, net of current portion	3,097,435,509	2,773,205,028

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

	2024	2023
Security deposits	100,613,259	175,500,235
Advance rentals	147,404,590	322,412,270
Deferred credits	140,944,912	151,298,357
	388,962,761	649,210,862

### (a) Security deposits

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

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

	Note	2024	2023
<i>Gross amount</i>			
At January 1		1,907,821,656	1,115,770,346
Additions		79,814,956	792,823,358
Refunds		(20,394,511)	(772,048)
At December 31		1,967,242,101	1,907,821,656
<i>Unamortized discount</i>			
At January 1		240,306,595	71,449,954
Additions		16,227,789	203,634,743
Accretion	15	(65,298,988)	(34,778,102)
At December 31		191,235,396	240,306,595
Net book value at December 31		1,776,006,705	1,667,515,061

### (b) Advance rentals

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

(c) *Deferred credits*

Deferred credits are initially measured as the difference between the cash received and the fair value of security deposits. These are subsequently amortized using the straight-line method and recognized as amortization of deferred credits' under 'rental income' in the statement of comprehensive income. Accretion of discount is recorded under "Interest expense and other charges" in profit or loss.

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

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

	Note	2024	2023
At January 1		325,927,028	57,988,921
Additions		127,278,419	303,779,427
Amortization	12	(72,451,608)	(35,841,320)
At December 31		380,753,839	325,927,028
Less: Current portion		(140,944,912)	(151,298,357)
Non-current portion		239,808,927	174,628,671

## 10 Construction bonds

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

The carrying value of the Company's construction bonds amounts to P138.14 million as at December 31, 2024 (2023 - P95.69 million).

## 11 Equity

(a) *Paid-up capital and additional paid-in capital (APIC)*

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

	2024	2023
Authorized	4,050,000,000	4,050,000,000
Par value per share	10.00	10.00
Issued and outstanding shares	3,209,865,985	2,368,606,573

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

	2024	2023	2022
<i>Authorized number of shares</i>			
At January 1 (P10.00 par value)	4,050,000,000	2,950,000,000	2,950,000,000
Increase in authorized capital stock	-	1,100,000,000	-
At December 31	4,050,000,000	4,050,000,000	2,950,000,000
<i>Issued shares</i>			
At January 1	2,435,936,543	1,828,377,163	1,576,240,780
Issuance of new shares	841,259,412	607,559,380	252,136,383
At December 31	3,277,195,955	2,435,936,543	1,828,377,163
<i>Treasury shares</i>			
At January 1 and December 31	(67,329,970)	(67,329,970)	(67,329,970)
Outstanding shares at December 31	3,209,865,985	2,368,606,573	1,761,047,193

### Issuance of new shares

During the years ended December 31, 2024 and 2023, the Company entered into property-for-share swap transactions for certain investment properties in exchange of issuance of shares. The details of transaction value of investment properties acquired and the amount resulting from the issuance of new shares for the years ended December 31 follow:

<i>December 31, 2024</i> <b>Property</b>	<b>Counterparty*</b>	<b>Transaction value</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>Paid-up capital</b>	<b>Additional paid-in capital</b>
Ayala Triangle Garden Tower 2	ALI	12,480,755,836	367,081,054	34	3,670,810,540	8,809,945,296
Greenbelt 3 & 5 Malls	ALI	5,414,024,408	159,236,012	34	1,592,360,120	3,821,664,288
Seda Ayala Center Cebu	Cebu Insular	2,635,203,116	77,505,974	34	775,059,740	1,860,143,376
Holiday Inn Makati	Green Haven	1,303,115,756	38,326,934	34	383,269,340	919,846,416
Palauig Industrial Lot	BCHC	6,769,720,892	199,109,438	34	1,991,094,380	4,778,626,512
		28,602,820,008	841,259,412		8,412,594,120	20,190,225,888

<i>December 31, 2023</i> <b>Property</b>	<b>Counterparty*</b>	<b>Transaction value</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>Paid-up capital</b>	<b>Additional paid-in capital</b>
Glorietta BPO 1	ALI	3,090,625,614	83,530,422	37	835,304,220	2,255,321,394
Glorietta BPO 2	ALI	3,265,229,909	88,249,457	37	882,494,570	2,382,735,339
One Ayala West Tower	ALMI	4,955,177,233	133,923,709	37	1,339,237,090	3,615,940,143
One Ayala East Tower	ALMI	5,670,733,294	153,263,062	37	1,532,630,620	4,138,102,674
Glorietta Mall Wings 1 and 2	ALI	3,448,776,031	93,210,163	37	932,101,630	2,516,674,401
Marquee Mall	NBCC	2,049,154,979	55,382,567	37	553,825,670	1,495,329,309
		22,479,697,060	607,559,380		6,075,593,800	16,404,103,260

<i>December 31, 2022</i> <b>Property</b>	<b>Counterparty*</b>	<b>Transaction value</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>Paid-up capital</b>	<b>Additional paid-in capital</b>
ebloc Tower 1	ALI	2,120,348,800	47,488,215	44.65	474,882,150	1,645,466,650
ebloc Tower 2	ALI	2,659,373,155	59,560,429	44.65	595,604,290	2,063,768,865
ebloc Tower 3	ALI	1,384,962,317	31,018,193	44.65	310,181,930	1,074,780,387
ebloc Twer 4	ALI	1,748,801,504	39,166,887	44.65	391,668,870	1,357,132,634
ACC (Ayala Center Cebu) Tower	ALI	2,185,801,369	48,954,118	44.65	489,541,180	1,696,260,189
Tech Tower	ALI	1,158,602,356	25,948,541	44.65	259,485,410	899,116,946
		11,257,889,501	252,136,383		2,521,363,830	8,736,525,671

\*All of the counterparties are related party of the Company (Parent Company or entity under common control)

The pertinent details of approvals and share issuance costs for each of the property-for-share swap during the years ended December 31 follow:

	2024	2023	2022
Date of BOD approval	November 16, 2023	March 7, 2023	March 10, 2022
Date of stockholders approval	April 23, 2024	April 26, 2023	April 21, 2022
Date of SEC approval	September 25, 2024	September 20, 2023	December 29, 2022
Share issuance costs	141,903,668	105,716,411	47,954,832

The Company's track record of capital stock is as follows:

Type of shares	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders of securities as of 2024	Number of holders of securities as of 2023
Common shares	1,092,986,405	Par value- P10.00/ Issue price P27.00	July 27, 2020	48,239	39,810
Common shares	483,254,375	Par value- P10.00/ Issue price P32.00	October 07, 2021		
Common shares	252,136,383	Par value- P10.00/ Issue price P44.65	December 22, 2022		
Common shares	607,559,380	Par value- P10.00/ Issue price P37.00	September 20, 2023		
Common shares	841,259,412	Par value- P10.00/ Issue price P34.00	September 25, 2024		

(b) *Cash dividends*

The BOD approved the declaration of cash dividends amounting to P5.82 billion for the year ended December 31, 2024 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved (in millions)	Payment date to stockholders
Q3 of 2024	November 13, 2024	November 27, 2024	P0.58	1,861.72	December 13, 2024
Q2 of 2024	July 12, 2024	July 26, 2024	P0.56	1,326.42	August 11, 2024
Q1 of 2024	May 14, 2024	May 28, 2024	P0.56	1,326.42	September 13, 2024
Q4 of 2023	February 19, 2024	March 04, 2024	P0.55	1,302.73	March 20, 2024
				5,817.29	

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

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved (in millions)	Payment date to stockholders
Q3 of 2023	November 16, 2023	December 1, 2023	P0.55	1,302.73	December 15, 2023
Q2 of 2023	August 14, 2023	August 30, 2023	P0.53	933.3	September 13, 2023
Q1 of 2023	May 17, 2023	May 31, 2023	P0.52	915.74	June 16, 2023
Q4 of 2022	February 24, 2023	March 10, 2023	P0.52	915.74	March 24, 2023
				4,067.51	

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

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved (in million)	Payment date to stockholders
Q3 of 2022	October 11, 2022	October 25, 2022	P0.49	739.37	November 10, 2022
Q2 of 2022	August 12, 2022	August 26, 2022	P0.49	739.37	September 09, 2022
Q1 of 2022	May 19, 2022	June 02, 2022	P0.48	724.28	June 17, 2022
Q4 of 2021	February 24, 2022	March 11, 2022	P0.47	709.18	March 25, 2022
				2,912.2	

## 12 Rental income

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Office, retail and land	16	7,202,294,529	5,205,649,501	3,626,926,514
Parking fees	16	287,378,843	197,400,049	154,078,031
Amortization of deferred credits	9	72,451,608	35,841,320	26,528,698
		7,562,124,980	5,438,890,870	3,807,533,243

Variable rent, included within rental income, based on gross sales for the year ended December 31, 2024 amounts to P9.91 million (2023 - P1.30 million; 2022 - P9.08 million).

Further information regarding lease agreements and commitments is disclosed in Note 16.

### 13 Dues

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

	2024	2023	2022
Dues:			
Common area charges	1,453,999,300	1,205,457,742	880,438,679
Utilities dues	81,014,396	45,155,288	162,552,776
	1,535,013,696	1,250,613,030	1,042,991,455

### 14 Interest and other income

#### (a) Interest income

The account for the years ended December 31 consists of:

	Note	2024	2023	2022
Interest income from:				
Intercompany loans	18	158,923,565	128,495,045	33,710,130
Short term investments		628,228	418,913	3,771
Cash in banks		14,941,360	4,915,714	618,541
		174,493,153	133,829,672	34,332,442

#### (b) Other income

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

### 15 Costs and expenses and other charges

#### (a) Direct operating expenses

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Management fees	18	714,370,443	540,444,364	398,075,418
Taxes and licenses		638,000,196	469,904,775	363,304,266
Land lease	16,18	587,420,250	421,589,053	262,034,140
Repairs and maintenance		355,209,318	272,531,593	165,399,042
Outside services		247,054,363	187,647,959	119,284,197
Insurance		34,640,721	26,645,482	14,357,866
Miscellaneous		31,216,298	17,536,284	10,524,065
Others		51,758,646	42,193,464	26,824,648
		2,659,670,235	1,978,492,974	1,359,803,642

*(b) General and administrative expenses*

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Provision for credit losses on receivable	3	31,453,949	56,844,484	22,948,855
Provision for probable losses on CWT	4	12,902,546	46,587,338	39,000,000
Taxes and licenses		20,305,841	5,723,217	3,008,543
Systems cost		10,713,068	6,896,260	4,185,393
Professional fees		6,590,562	4,250,112	4,603,471
Depreciation	6	290,415	222,922	90,634
Others		9,074,594	5,824,958	5,653,280
		91,330,975	126,349,291	79,490,176

*(c) Interest expense and other charges*

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Interest expense on:				
Short-term debts		167,123,540	93,944,714	100,249,019
Lease liabilities	16	86,710,186	84,126,547	81,832,181
Accretion of security deposits	9	65,298,988	34,778,102	26,287,433
Amortization of bond issue costs		195,958	24,120,847	22,875,033
		319,328,672	236,970,210	231,243,666

**16 Agreements and lease commitments**

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

The Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These non-cancellable leases are subject to 1.5% to 10% annual escalation rate.

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

	2024	2023	2022
Within one year	6,237,306,375	5,238,667,800	2,854,784,345
After one year but not more than five (5) years	15,441,992,135	15,866,743,989	8,021,660,128
More than five years	15,422,209,851	3,617,758,018	335,045,027
	37,101,508,361	24,723,169,807	11,211,489,500

*The Company as lessor - finance lease*

The Company entered into various lease agreements with its Parent Company or related parties (entities under common control) with details as follows (Notes 3 and 18):

Property	Lease Start Date	Counterparty	Initial net investment in lease	Lease term (in years)	Payment terms
ANE Seda Makati Residences	September 1, 2019	Makati North Hotel Ventures, Inc. (MNHVI)	2,215,718,216	39	• Fixed rate plus a certain percentage of total revenue of the lessee for the remaining period of the lease term
Retail podium of The 30th	January 1, 2021	North Eastern Commercial Corporation (NECC)	418,280,884	36	• Higher between the (a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years
Vertis North Commercial Development Mall	October 1, 2021	North Eastern Commercial Corporation (NECC)	517,723,249	36	• Fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years
Glorietta Mall Wings 1&2	July 1, 2023	AyalaLand Malls, Inc. (ALMI)	3,448,776,031	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Marquee Mall	July 1, 2023	North Beacon Commercial Corp (NBCC)	2,049,154,979	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Seda Lio	January 17, 2024	Econorth Resort Ventures, Inc	1,192,000,000	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Greenbelt 3&5 Malls	July, 1, 2024	AyalaLand Malls, Inc. (ALMI)	5,414,024,408	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Holiday Inn Makati	July 1, 2024	Green Haven Property Ventures, Inc. (GPVI)	2,635,203,116	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Seda Ayala Center Cebu	July 1, 2024	Cebu Insular Hotel Co., Inc.	1,303,115,756	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum

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

	2024	2023	2022
Within one year	1,491,049,823	915,109,665	234,690,936
After one year and not more than five (5) years	6,294,303,937	2,783,123,097	946,965,562
More than 5 years	41,067,339,616	19,286,270,607	7,465,937,702
Total undiscounted lease payments and unguaranteed residual value	48,852,693,376	22,984,503,369	8,647,594,200
Less: Unearned finance income	(29,179,552,441)	(14,013,802,901)	(5,426,448,195)
Net investment in the lease	19,673,140,935	8,970,700,468	3,221,146,005

The Company remains to be the legal owner of the portion of the ANE building, retail podium of The 30th, Vertis North Commercial Development Mall, Glorietta 1 & 2 Malls, Marquee Mall, Sedal Lio, Greenbelt 3&5 malls, Holiday Inn and Seda Ayala Center Cebu properties under finance lease.

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

The Company entered into various land lease agreements with its Parent Company or related parties (entities under common control) with details as follows:

Property	Effective date	Counterparty*	Lease term (in years)
Land lease of Solaris building	January 1, 2016	ALI	33
Land lease of ANE	April 26, 2019		
	October 5, 2018	HLC Development Corporation (through assignment)	40
Land lease of Teleperformance Cebu	October 1, 2020	ALI (through assignment)	31
Land lease of The 30th	January 15, 2021	MBS Development Corporation (MBS)	40
Land of Vertis Towers 1-3 and Vertis Mall	October 1, 2021	ALI (through assignment)	36
Land lease of Bacolod BPO	October 1, 2021	ALI (through assignment)	36
Land lease of Cebu properties (ebloc 1, ebloc2, ebloc 3, ebloc 4, ACC Tower and Tech Tower)	October 1, 2022	ALI	36
Land lease of Glorietta 1&2 offices; and Mall	July 1, 2023	ALI	36
Land lease of One Ayala East and West towers	July 1, 2023	ALI	41.5
Land lease of Marquee Mall	July 1, 2023	NBCC	36
Land lease of Ayala Triangle Garden Tower 2	July 1, 2024	ALI	40

All of the land lease payments are on a variable basis paid monthly based on a certain percentage of gross rental income of the Company for the leased property.

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

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

Property	Effective date	Counterparty*	Lease term (in years)	Payment terms
Lease of land and building of MECC	January 31, 2020	ALI	34	Fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.
Land lease of One and Two Evotech	October 1, 2021	CECI Realty, Inc. (through assignment)	36	Fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.
Land lease of Bacolod Capitol Property	October 1, 2021	Province of Negros Occidental	50	Fixed monthly rate, subject to an escalation rate of ten percent (10%) every five (5) years.

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

	Note	2024	2023
Balance at beginning the year		1,216,810,735	1,186,580,358
Interest expense	15	86,710,186	84,126,547
Payments		(55,230,077)	(53,896,170)
Balance at the end of the year		1,248,290,844	1,216,810,735

The right-of-use assets are included as part of investment properties and amounts to P968.68 million as at December 31, 2024 (2023 - P999.56 million).

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

	Note	2024	2023	2022
Variable lease payments not included in the measurement of lease liabilities	15	587,420,250	421,589,053	262,034,140
Payments of lease liabilities				
Principal portion		-	-	-
Interest portion		55,230,076	53,896,170	49,232,653
Total cash outflows		642,650,326	475,485,223	311,266,793

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

	Notes	2024	2023	2022
Rent expense - variable lease payments	15	587,420,250	421,589,053	262,034,140
Interest expense from lease liabilities	15	86,710,186	84,126,547	81,832,181
Total amounts recognized in the statement of total comprehensive income		674,130,436	505,715,600	343,866,321

## 17 Income tax

The account for the years ended December 31 consists of:

	2024	2023	2022
Current (final tax)	3,113,918	1,066,925	124,462
Deferred	-	-	-
	3,113,918	1,066,925	124,462

The Company has incurred NOLCO in the taxable years 2024, 2023 and 2022 which can be claimed as deduction from the regular income tax over a period of three (3) years, and NOLCO in the taxable years 2021 and 2020 which can be claimed as deduction from the regular income tax for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2024	519,442,116	-	519,442,116	2027
2023	890,518,286	-	890,518,286	2026
2022	336,859,619	-	336,859,619	2025
2021	688,819,663	-	688,819,663	2026
2020	481,283,017	-	481,283,017	2025
	2,916,922,701	-	2,916,922,701	

The Company does not recognize deferred tax asset the probability of generating future taxable income is assessed to be remote in view of its effectively tax free status as a REIT entity.

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

	2024	2023	2022
Statutory income tax rate	25.00	25.00	25.00
Add (deduct) tax effect of:			
Non-deductible expenses	5.99	5.77	1.17
Non-taxable income	(10.99)	(13.07)	(0.37)
Deductible dividends	(20.00)	(17.70)	(25.80)
Effective income tax rate	0.00	0.00	0.00

For each of the three years ended December 31 above, the Company availed of the itemized deduction.

## 18 Related party transactions

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

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

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

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

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

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

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

#### a. Outstanding balances with ALI, affiliates and other related parties (entities under common control).

Receivables from and payables to related parties pertain mainly to rental income, management fees, advances, reimbursements of operating expenses, and intercompany lending, which are due and demandable. These are settled generally in cash, unless if otherwise indicated, at a gross basis.

Receivables from and payable to related parties as at December 31 are as follow:

	2024		2023		Terms and conditions
	Transactions	Outstanding balances	Transactions	Outstanding balances	
<b>Finance lease receivables</b>					
Entities under common control	1,162,028,271	<b>19,673,140,935</b>	450,832,306	<b>8,970,700,468</b>	Balances are due quarterly or annually. These are non-interest bearing and secured with the related investment properties (Notes 5 and 16).
<b>Due from related parties</b>					
Parent Company	48,715,642	529,184,080	207,704,444	439,653,075	Balances relating to trade receivables are due and demandable. These are interest and non-interest bearing, and unsecured. No impairment is recognized.
Affiliates	175,634,469	1,932,449,494	412,421,593	3,112,196,210	
Other related parties	271,249,902	301,869,331	181,432,107	20,267,377	
					The Company also provides interest-bearing loans to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 5.30% to 6.89% (2023 - 5.59% to 6.95%; 2022 - 1.74% to 5.28%) per annum
		<b>2,763,502,905</b>		<b>3,572,116,662</b>	
<b>Due to related parties</b>					
Parent	682,556,290	588,810,099	333,492,586	394,088,299	Balances are due and demandable. These are non-interest bearing and unsecured.
Affiliates	1,398,718,139	1,318,019,607	902,390,414	985,400,924	
Other related parties	61,674,153	72,980,387	51,616,915	8,352,636	
		<b>1,979,810,093</b>		<b>1,387,841,859</b>	

b. Revenue from related parties

The revenue from the Parent Company, affiliates and other related parties pertains to rental income, interest income from finance lease and interest income from intercompany loans. There is no impairment on these related receivables.

Revenue for the years ended December 31 are as follows:

2024	Rental income	Interest income from Finance lease	Interest income from intercompany loans	Total
Parent	20,052,905	-	28,662,736	48,715,641
Affiliates	45,373,640	1,162,028,271	130,260,829	1,337,662,740
Other related parties	271,249,902	-	-	271,249,902
Total	336,676,447	1,162,028,271	158,923,565	1,657,628,283

2023	Rental income	Interest income from Finance lease	Interest income from intercompany loans	Total
Parent	200,877,454	-	6,826,990	207,704,444
Affiliates	290,753,538	450,832,306	121,668,055	863,253,899
Other related parties	181,432,107	-	-	181,432,107
Total	673,063,099	450,832,306	128,495,045	1,252,390,450

Cost and expenses for the years ended December 31 are as follows:

2024	Management fees	Rental expenses	Utility expenses	Contracted services	Interest expense	Total
Parent	-	488,689,339	-	-	62,011,753	550,701,092
Affiliates	665,869,545	87,119,455	529,611,871	35,092,814	-	1,317,693,685
Other related parties	-	-	54,042,369	-	-	54,042,369
Total	665,869,545	575,808,794	583,654,240	35,092,814	62,011,753	1,922,437,146

2023	Management fees	Rental expenses	Utility expenses	Contracted services	Interest expense	Total
Parent	-	273,112,761	-	-	60,379,825	333,492,586
Affiliates	478,181,878	95,252,841	308,626,471	20,329,224	-	902,390,414
Other related parties	-	-	51,616,915	-	-	51,616,915
Total	478,181,878	368,365,602	360,243,386	20,329,224	60,379,825	1,287,499,915

The following describes the nature of the material transactions of the Company with related parties as at December 31, 2024 and 2023:

- The Company provides interest-bearing loans to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 5.30% to 6.89% (2023 - 5.59% to 6.95%; 2022 - 1.74% to 5.28%) per annum.
- In 2019, the Company entered into a contract of lease with affiliates for the lease of building for a period of 39 years. 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 (Note 16).

In 2021, the Company entered into a contract of lease with affiliates for lease of buildings for a term of 36 years. The lease generally provides for rates based on higher between the (a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years. (Note 16).

In 2023 and 2024, the Company entered into a contract of lease with affiliates for lease of buildings for period of 25 years. The lease generally provides rates based on a fixed rent and shall be subject to an escalation rate of 2.5% per annum (Note 16).

In 25 September 2024, the Company entered into a contract of lease with Giga Ace 8, Inc. for the lease of industrial land in Palauig Zambales for a period of 25 years. The lease generally provides rates based on a fixed rent and shall be subject to an escalation of 1.5% per annum.

- The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris, Teleperformance Cebu, Bacolod Ayala Northpoint, Vertis Offices, eBloc Towers 1 to 4, ACC Tower and Tech Tower buildings, One Ayala Office towers, and Glorietta 1 & 2 BPO are located. The lease generally provides for a monthly rent based on a certain percentage of gross rental Income (Note 16).
- On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building for a period of 34 years. The rent is payable at a fixed monthly rate, subject to 5% annual escalation rate (Note 16).
- Affiliates and other related parties of the Company provides energy and water distribution services to the Company.
- The Company entered into management contracts with affiliates to handle fund and property manager functions of the Company starting August 13, 2020. The fund management fee is computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT. While for property management fee, this is equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from lease liabilities for the period, provided, that such fee shall not exceed 1% of the net asset value of the properties being managed (Note 15).

#### *Cash in bank*

The Company has cash in bank balance with the Bank of the Philippine Islands (BPI), an associate of AC, amounting to P36.68 million as at December 31, 2024 (2023 - P16.92 million). Interest income earned from these deposits for the year ended December 31, 2024 amounted to P0.29 million (2023 - P0.37 million; 2022 - P0.14 million).

#### *Short-term debt*

The Company has an outstanding short-term debt payable to BPI amounting to nil as at December 31, 2024 (2023 - P3.00 billion). Interest expense from short-term debt payable to BPI for the year ended December 31, 2024 amounted to P45.91 million (2023 - P1.38 million; 2022 - P1.56 million).

#### *Compensation of key management personnel*

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

## 19 Critical accounting estimates and judgments

The preparation of the consolidated financial statements in compliance with Philippine Financial Reporting Standards Accounting Standards 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 financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

### 19.1 Critical judgments

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

#### *Assessment of the Company being effectively a 'tax-free' entity (Note 17)*

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

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

#### *Determination of whether the Company is acting as a principal or an agent (Note 12)*

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

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

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

#### *Operating lease commitments - the Company as lessor (Note 12)*

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

#### *Finance lease commitments - the Company as lessor (Note 16)*

The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building, a retail podium of The 30th building, the Vertis Mall, Glorietta Mall 1 and 2 Wings, Marquee Mall, Seda Lio, Greenbelt 3&5 malls, Holiday Inn, and Seda Ayala Center Cebu. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of these properties to the lessee and accounts for the agreements as finance lease.

#### *Evaluation whether the acquired set of assets constitute a business (Note 5)*

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

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

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

#### *Provision for expected credit losses (ECL) of trade receivables (Note 3)*

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

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

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

#### *Evaluating impairment of non-financial assets carried at cost (Note 4)*

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

As at December 31, 2024 and 2023, management believes that it will be able to generate future transactions against which the input VAT can be utilized or in worst case scenario, file a claim for refund from tax authorities subject to potential tax audits where management can sustain the positions taken in their tax returns.

The allowance for probable losses on CWT is based on reasonably possible recoverable amount based on historical experience of the Company and its related parties.

### *Valuation of investment properties held at fair value (Note 5)*

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

The fair values of investment properties have been determined using Discounted Cash Flows (DCF) Method (level 3). The significant unobservable input used in the fair value measurement as at December 31, 2024 and 2023 are shown below:

Significant unobservable input	Rate	Sensitivity of the input to fair value
Discount rate	2024: 7.88% - 9.78% 2023: 9.51%	Increase (decrease) in the discount rate would decrease (increase) the fair value
Growth rate	2024: 1.50% - 4.00% 2023: 2.00% - 4.00%	Increase (decrease) in the growth rate would increase (decrease) the fair value

## **20 Financial risk, capital management, and fair value measurement**

### **20.1 Financial risk management**

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

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

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

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

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

#### **20.1.1 Market risk**

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

##### *Foreign currency risk*

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

### *Interest rate risk*

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

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

### *Price risk*

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

## **20.1.2 Credit risk**

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

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

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

2024			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure
Cash in banks	70,940,948	-	70,940,948
Receivables			
Finance lease receivables	19,673,140,935	24,100,080,159	-
Due from related parties	2,763,502,905	-	2,763,502,905
Trade receivables	1,475,918,230	1,598,397,298	-
Other receivables	2,866,119	-	2,866,119
Recoverable deposits	24,192,597	-	24,192,597
	24,010,561,734	25,698,477,457	2,861,502,569

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

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

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
2024							
Finance lease receivables	19,673,140,935					-	19,673,140,935
Due from related parties	1,375,080,681	63,696,023	21,677,746	47,014,482	1,256,033,973	-	2,763,502,905
Trade receivables - billed	2,341,584	290,907,532	110,871,983	158,259,446	764,834,351	148,703,334	1,475,918,230
Total	21,050,563,200	354,603,555	132,549,729	205,273,928	2,020,868,324	148,703,334	23,912,562,070
2023							
Finance lease receivables	8,970,700,468	-	-	-	-	-	8,970,700,468
Due from related parties	2,595,604,000	44,799,033	15,246,510	33,066,481	883,400,638	-	3,572,116,662
Trade receivables - billed	1,349,304	251,609,006	196,782,679	127,578,629	70,219,170	117,249,385	764,788,173
Total	11,567,653,772	296,408,039	212,029,189	160,645,110	953,619,808	117,249,385	13,307,605,303

The Company considers the following credit quality classification:

- Stage 1 are considered to be neither past due nor impairment;
- Stage 2 are considered to be past due but not impaired; and
- Stage 3 are considered to be impaired.

(a) *Trade receivables*

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

As at December 31, 2024, the allowance for credit losses of trade receivables amounts to P148.70 million (2023 - P117.25 million) (Note 3).

(b) *Cash in banks*

As at December 31, 2024 and 2023, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

(c) *Finance lease receivables*

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

As at December 31, 2024 and 2023, the ECL related to the Company's finance lease receivables is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty, and the counterparties are generally of good credit standing.

*(d) Due from related parties*

As at December 31, 2024 and 2023, the Company did not provide any allowance relating to due from related parties since there is no history of default payments. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operate.

### 20.1.3 Liquidity risk

The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months.

Capital expenditures are funded through long-term debt, while working capital requirements are sufficiently funded through cash collections and capital infusion by stockholders.

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

The Company's cash is maintained at a level that will enable it to fund its operations as well as to have additional funds as buffer for any opportunities or emergencies that may arise. To manage the Company's liquidity, credit line facilities with designated local banks, as approved by the Board of Directors, were obtained. The Company's available credit line with various local banks as at December 31, 2024 is P23.5 billion (2023 - P23.00 billion). The Company may also refinance its loans and manage payment terms for its payables.

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

	2024			Total
	< 1 year	1 to 5 years	> 5 years	
Financial assets				
Cash in banks	70,940,948	-	-	70,940,948
Receivables				
Finance lease receivables	1,491,049,823	6,294,303,937	41,067,339,616	48,852,693,376
Due from related parties	2,763,502,905	-	-	2,763,502,905
Trade receivables*	1,327,214,896	-	-	1,327,214,896
Recoverable deposits	24,192,597	-	-	24,192,597
	5,676,901,169	6,294,303,937	41,067,339,616	53,038,544,722
Financial liabilities				
Accounts and other payables				
Due to related parties	1,979,810,093	-	-	1,979,810,093
Accounts payable	817,595,440	-	-	817,595,440
Accrued expenses	74,514,727	-	-	74,514,727
Retention payable	5,952,197	-	-	5,952,197
Interest payable	3,422,222	-	-	3,422,222
Short-term debt	2,000,000,000	-	-	2,000,000,000
Security deposits	486,110,365	1,029,827,954	451,303,782	1,967,242,101
Lease liabilities	56,204,119	249,981,290	3,951,183,259	4,257,368,668
Construction bonds	138,143,467	-	-	138,143,467
	5,561,752,630	1,279,809,244	4,402,487,041	11,244,048,915
Net liquidity (gap) position	115,148,539	5,014,494,693	36,664,852,575	41,794,495,807

\* Net of allowance for ECL

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

\* Net of allowance for ECL

## 20.2 Capital management

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

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

	2024	2023
Paid-up capital	32,771,959,550	24,359,365,430
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	56,368,354,602	36,320,032,381
Retained earnings	24,903,508,070	23,403,738,698
	113,370,522,522	83,409,836,809

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

### Loan covenants

As at December 31, 2024 and 2023, the Company is not subject to any externally imposed capital requirements from debt covenant.

### REIT Act - Aggregate Leverage Limit

The Company is subject to externally imposed capital requirements consistent with the requirement of the REIT Act section 8.10, *Aggregate Leverage Limit*. In 2024 and 2023, the Company is compliant with its debt covenants and requirements of the REIT Act.

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

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

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

	2024	2023	2022
Net income	7,317,064,621	5,030,544,039	2,887,563,036
Unrealized gain:			
Net fair value loss (gain) on investment properties	43,374,600	(99,254,883)	548,953,984
Straight-lining adjustments recorded in rental income	(473,104,893)	(86,563,721)	17,813,632
Distributable income	6,887,334,328	4,844,725,435	3,454,330,652

For each of the years ended December 31, 2024, 2023 and 2022, the Company is compliant by declaring 90% of its distributable income as dividends. Dividend declarations are disclosed in Note 11.

### 20.3 Fair value measurement

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

	2024		2023	
	Carrying value	Fair value	Carrying value	Fair value
Finance lease receivables	19,673,140,935	23,340,972,955	8,970,700,468	10,470,115,115
Lease liabilities	1,248,290,844	1,442,910,420	1,216,810,735	1,415,307,693
Security deposits	1,776,006,705	1,641,789,987	1,667,515,060	1,580,476,636

As at December 31, 2024 and 2023, the Company has no financial instrument measured at fair value. In 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement. The carrying values of the other financial instruments of the Company as at December 31, 2024 and 2023 approximate their fair values due to the short-term nature of the transactions.

### 21 Basic and diluted earnings per share

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

	2024	2023	2022
Net income	7,317,064,621	5,030,544,039	2,887,563,036
Weighted average number of common shares	2,789,236,279	1,932,495,456	1,510,292,379
Basic and diluted earnings per share	2.62	2.60	1.91

The Company also assessed that there were no potential dilutive common shares in 2024, 2023, and 2022.

### 22 Segment reporting

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

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

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

## 23 Notes to statement of cash flows

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

*For the year ended December 31, 2024*

	January 1, 2024	Cash flows	Other changes	December 31, 2024
Short-term and long-term debt (a)	3,000,000	(1,000,000)	-	2,000,000
Lease liabilities (b)	1,216,810,735	(55,230,077)	86,710,186	1,248,290,844
Interest payable (b)	-	(167,123,540)	170,545,762	3,422,222
<b>Total liabilities from financing activities</b>	<b>1,219,810,735</b>	<b>(223,353,617)</b>	<b>257,255,948</b>	<b>1,253,713,066</b>

*Other changes pertain to:*

*(a) Amortization of bond issue costs*

*(b) Interest expense and other charges*

*For the year ended December 31, 2023*

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

*Other changes pertain to:*

*(a) Amortization of bond issue costs*

*(b) Interest expense*

*For the year ended December 31, 2022*

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

*Other changes pertain to:*

*(a) Amortization of bond issue costs*

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

*(c) Interest expense*

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

### *Investing/Financing*

- Addition in investment properties amounting to P28,602.82 million related to the property-for-share swap agreement for the year ended December 31, 2024 (2023 - P22,479.70 million; 2022 - P11,257.89 million) (Notes 5 and 16). The Company has issued capital stock in exchange for these properties amounting to P8,412.59 million (2023 - P6,075.59 million; 2022 - P2,521.36 million), with additional paid in capital of P20,190.23 million (2023 - P16,404.10 million; 2022 - P11,257.89 million) (Note 11).
- Decrease in fair value of investment properties, gross of lease commissions and straight-line adjustment, amounted to P43.37 million for the year ended December 31, 2024 (2023 - increase of P201.35 million; 2022 - decrease of P544.18 million) (Note 5).

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

On February 19, 2025, the Board of Directors of the Company, at its regular meeting, approved the declaration of cash dividends of P0.58 per outstanding common share for the fourth quarter of 2024. The cash dividends amounting to P1,861.72 million will be payable on March 21, 2025 to stockholders on record as at March 5, 2025.

On February 19, 2025, the Board of Directors approved the acquisition of commercial properties located in Cebu, Davao, and Cagayan de Oro from Ayala Land, Inc., and subsidiaries, Accendo Commercial Corp. (Accendo), Cagayan de Oro Gateway Corp. (CDOGC), and Central Bloc Hotel Ventures, Inc. (CBHVI). The Board approved a property- for-share swap transaction with a transaction value of P20.99 billion at exchange price of P41.50 per share, subject to the approval of the Company's shareholders on April 24, 2025.

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

### **25.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with PFRS Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- PAS Standards; and
- interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

#### *Basis of measurement*

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

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

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

#### *Functional and presentation currency*

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

## 25.2 Adoption of amended accounting standards and interpretation

### *(a) Amendments to existing standards adopted by the Company effective January 1, 2024*

The following amendments to existing standards have been adopted by the Company effective January 1, 2024:

- PAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants)*

Amendments made to PAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

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

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

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

The amendments have been applied retrospectively in accordance with the normal requirements in PAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

- Amendments to PFRS 16, *'Lease Liability in a Sale and Leaseback'*

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

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

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

The following amendments to existing standards are not mandatory for December 31, 2024 reporting period and have not been early adopted by the Company:

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to PFRS 9 and PFRS 7 (*Effective beginning on or after January 1, 2026*)

On May 30, 2024, the IASB issued targeted amendments to PFRS 9 and PFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  - add new disclosures for certain instruments with contractual terms that can change cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  - update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).
- PFRS 18 Presentation and Disclosure in Financial Statements (*Effective beginning on or after January 1, 2027*)

PFRS 18 will replace PAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Company's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of PFRS 18 will have no impact on the Company's net profit, the Company expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Company has performed, the following items might potentially impact operating profit:
- Foreign exchange differences currently aggregated in the line item 'other income and other gains/(losses) - net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
- PFRS 18 has specific requirements on the category in which derivative gains or losses are recognised - which is the same category as the income and expenses affected by the risk that the derivative is used to manage. Although the Company currently recognises some gains or losses in operating profit and others in finance costs, there might be a change to where these gains or losses are recognised, and the Company is currently evaluating the need for change.

The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation. In addition, since goodwill will be required to be separately presented in the statement of financial position, the Company will disaggregate goodwill and other intangible assets and present them separately in the statement of financial position.

The Company does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:

- management-defined performance measures;
- a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and
- for the first annual period of application of PFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying PFRS 18 and the amounts previously presented applying PAS 1.

From a cash flow statement perspective, there will be changes to how interest received and interest paid are presented. Interest paid will be presented as financing cash flows and interest received as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Company will apply the new standard from its mandatory effective date of January 1, 2027.

Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

There are no other new standards, interpretations and amendments to existing standards not yet effective as at December 31, 2024 reporting period that are considered to be relevant or have a material impact on the Company's financial statements.

## **25.3 Financial instruments**

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

### **25.3.1 Financial assets**

#### *Initial recognition and measurement*

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

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

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

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

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

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

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

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

### **25.3.2 Financial liabilities**

#### *Initial recognition and measurement*

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

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

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

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

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

#### *Financial asset*

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

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

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

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

#### *Financial liability*

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

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

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

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

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

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

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

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

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

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

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

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

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

### *Fair value hierarchy*

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

### **25.5 Investment properties**

Investment properties comprise completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.

Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "income approach". Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities such as accrued rental income and lease commitments. Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

The Company recognizes property-for-share swap transactions as share-based payment transactions under PFRS 2, '*Share based payments*'. The property received is measured at its fair value at the date of acquisition. The relevant shares issuance recorded in paid-up capital is measured at par value, while the excess of fair value over par value is recognized as additional paid-in capital.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, '*Revenue from customers*'.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the PAS 16, '*Property, plant and equipment*', up to the date of change in use.

## **25.6 Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that other current assets and other non-current assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

## **25.7 Equity**

### *Paid-up capital and APIC*

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to APIC.

### *Share issuance costs*

Share issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction of APIC. If APIC is not sufficient, the excess is charged against retained earnings.

### *Treasury shares*

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## **25.8 Revenue recognition**

The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services. Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

### *Dues*

Dues are recognized when the related services are rendered. The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA charges like maintenance, janitorial and security services. Revenue from electricity and water is recognized at a net basis as the Company is acting as an agent, while revenue from CUSA and air conditioning charges is recognized at a gross basis as the Company is acting as principal.

#### *Disaggregated revenue information*

The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity.

#### *Allocation of transaction price to performance obligation*

Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

#### *Timing of revenue recognition*

Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

### **25.9 Income outside the scope of PFRS 15**

#### *Rental income*

Rental income under non-cancellable and cancellable leases on investment properties is accounted under operating lease and is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts.

No rental income is recognized when the Company waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment.

#### *Interest income*

Interest income is recognized as it accrues using the EIR method.

### **25.10 Costs and expenses**

Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

### **25.11 Leases**

#### *The Company as lessor - operating lease*

Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### *The Company as lessor - finance lease*

A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company uses the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

## *The Company as lessee*

### *(a) Right-of-use asset*

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable and linked to the future performance or use of an underlying asset. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life or the lease term. The Company accounts for right-of-use assets using the fair value model in accordance with the policy as stated under investment properties. Right-of-use assets are subject to impairment.

### *(b) Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

## **25.12 Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

## **25.13 Earnings per share**

Basic earnings per share (EPS) is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

## **25.14 Segment reporting**

The Company's lease operation is its only segment. Financial information on business segment is presented in Note 22 to the financial statements.

## **25.15 Comparative information**

Certain reclassifications have been made in the prior year to confirm to the current year's presentation. This did not affect the total assets, liabilities, equity and net income that were previously reported.

## 26 Report on the supplementary information required by the BIR

Below is the additional information required by Revenue Regulations (RR) No. 15-2010 that is relevant to the Company. This information is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements.

### (a) Output VAT and input VAT

The National Internal Revenue Code (NIRC) of 1997, as amended, provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

The Company is a VAT-registered entity with VAT output declaration of P678.86 million for the year ended December 31, 2024 based on the vatable sales amounting to P5,657.19 million. Zero-rated sales amounted to P6,442.35 million.

The Company's vatable sales are based on actual collections received, hence, may not be the same as amounts accrued in the statement of total comprehensive income. The Company has zero-rated and exempt sales pursuant to Section 106(A)(2)(a)(5) of the Tax Code and Sections 109(A), 109(K) and 109 of the Tax Code, respectively.

Movements in input VAT for the year ended December 31, 2024 follow:

	Amount
At January 1, 2024	1,300,452,438
Capital goods not subject to amortization	148,684,636
Input tax on depreciable capital goods not attributable to any specific activity	144,344,101
Domestic purchases/payments for:	
Domestic purchases of services	305,913,434
Purchase of goods other than capital goods	8,922,624
Total input VAT	1,908,317,233
Less: Balance applied against output VAT	(678,863,186)
At December 31, 2024	1,229,454,047

### (b) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2024 amounted to P91.70 million, which pertains to the issuance of new shares and lease contracts of various tenants.

### (c) All other local and national taxes

All other local and national taxes accrued and paid for the year ended December 31, 2024 consist of:

	Amount
Real property tax	480,453,848
Business permit	152,153,911
Fire permit	1,463,355
Community tax	10,500
BIR annual registration	-
Others	24,224,423
	658,306,037

All other taxes, local and national, including real estate taxes, licenses and permit fees are presented as part of "Taxes and licenses" under Direct operating expenses and General and administrative expenses in the statement of total comprehensive income.

*(d) Withholding taxes*

The amount of withholding taxes paid and accrued for the year ended December 31, 2024 follows:

	Total remittances	Withholding taxes payable	Total
Expanded withholding taxes	115,531,739	59,033,980	174,565,719
Final withholding taxes	95,264,769	26,089,755	121,354,524
	210,796,508	85,123,735	295,920,243

Total remittances pertain to tax payments made for the reporting period covering January 2024 to November 2024. The outstanding withholding taxes payable, included in Taxes payable under "Accounts and other payables" in the statement of financial position, as at December 31, 2024 represents the withholding taxes for the month of December 2024 which were remitted in January 2025.

*(e) Taxes on importation*

The Company has not made any importations in 2024.

*(f) Excise tax*

The Company has no transactions subject to excise tax in 2024.

*(g) Tax assessments and cases*

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR as at December 31, 2024.

**AREIT, Inc.**

---

Index to Financial Statements and Supplementary Schedules

As at December 31, 2024

**Supplementary Schedules Required by Annex 68-J**

Schedule A. Financial Assets

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Schedule D. Supplementary Schedule of Long-Term Debt

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Schedule F. Guarantees of Securities of Other Issuers

Schedule G. Capital Stock

**Other Supporting Schedules**

Reconciliation of Retained Earnings Available for Dividend Declaration

Financial Soundness Indicators

Map of the Group of Companies within which the Reporting Entity belongs

**AREIT, Inc.**

Schedule A - Financial Assets  
As at December 31, 2024  
(All amounts in Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of financial assets	Amounts shown in the statement of financial position	Income received and accrued
Cash in bank*			
Bank of the Philippine Islands	36,679,235	36,679,235	288,346
Deutsche Bank	34,261,713	34,261,713	14,653,014
	70,940,948	70,940,948	14,941,360
Short term investments	-	-	628,228
Receivables**			
Finance lease receivables	19,673,140,935	19,673,140,935	1,162,028,271
Due from related parties	2,763,502,905	2,763,502,905	158,923,565
Trade receivables - billed	1,475,918,230	1,475,918,230	-
Other receivables	2,866,119	2,866,119	-
	23,915,428,189	23,915,428,189	1,320,951,836
	23,986,369,137	23,986,369,137	1,336,521,424

\* See Note 2 to the financial statements.

\*\* See Note 3 to the financial statements.

**AREIT, Inc.**

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal  
Stockholders (Other Than Related Parties)  
As at December 31, 2024

Name and designation of debtor	Balance at the beginning of the period	Additions	Deductions		Current	Non- current	Balance at the end of the period
			Amounts collected	Amounts written-off			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**AREIT, Inc.**

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of  
financial statements

As at December 31, 2024

Name and designation of debtor	Balance at the beginning of the period	Additions	Deductions		Current	Non- current	Balance at the end of the period
			Amounts collected	Amounts written-off			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**AREIT, Inc.**

**Schedule D - Supplementary Schedule of Long-Term Debt  
As at December 31, 2024**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt” in related Statement of Financial Position	Amount shown under caption “Long-term debt” in related Statement of Financial Position
N/A	N/A	N/A	N/A

**AREIT, Inc.**

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)  
As at December 31, 2024

Name of related party	Balance at the beginning of the period	Balance at the end of the period
N/A	N/A	N/A

**AREIT, Inc.**

Schedule F - Guarantees of Securities of Other Issuers  
As at December 31, 2024

Name of issuing entity of securities guaranteed by the Company for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by the company for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

**AREIT, Inc.**

Schedule G - Capital Stock  
As at December 31, 2024

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by related parties	Number of shares held by directors, officers, and employees	Others
Common	4,050,000,000	3,209,865,985	-	1,977,109,078	7	-
Total	4,050,000,000	3,209,865,985	-	1,977,109,078	7	-

See Note 11 to the financial statements.

**AREIT, Inc.**

Reconciliation of Retained Earnings Available for Dividend Declaration  
For the year ended December 31, 2024  
(All amounts in Philippine Peso)

<b>Unappropriated Retained Earnings, beginning of the year</b>	5,623,568,552
Add: Category A: Items that are directly credited to Unappropriated retained earnings	
Reversal of retained earnings appropriation/s	-
Effect of restatements or prior-period adjustments	-
Others (describe nature)	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings	
Dividend declaration during the reporting period	5,817,295,249
Retained earnings appropriated during the reporting period	-
Effect of restatements or prior-period adjustments	-
Others (describe nature)	- (5,817,295,249)
<b>Unappropriated Retained Earnings, as adjusted</b>	(193,726,697)
Add/Less: Net income (loss) for the current year	7,317,064,621
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	-
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Unrealized fair value gain of investment property	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs (describe nature)	-

(continued)

**AREIT, Inc.****Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2024

Page 2

<hr/>		
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs	-	-
<hr/>		
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs, previously recorded (describe nature)	-	-
<hr/>		
Adjusted net income		7,123,337,924
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Unrealized fair value loss of investment property		43,374,600
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-
<hr/>		
(continued)		

**AREIT, Inc.****Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2024

Page 3

---

Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others (straight-lining adjustments recorded in rental income)	473,104,893	(473,104,893)

---

<b>Total Retained Earnings, end of the year available for dividend declaration</b>		<b>6,693,607,631</b>
--	--	----------------------

---

**AREIT, Inc.**

Financial Soundness Indicators  
As at December 31, 2024  
(With comparative figures as at December 31, 2022 and 2021)  
(All amounts are in Philippine Peso, unless otherwise stated)

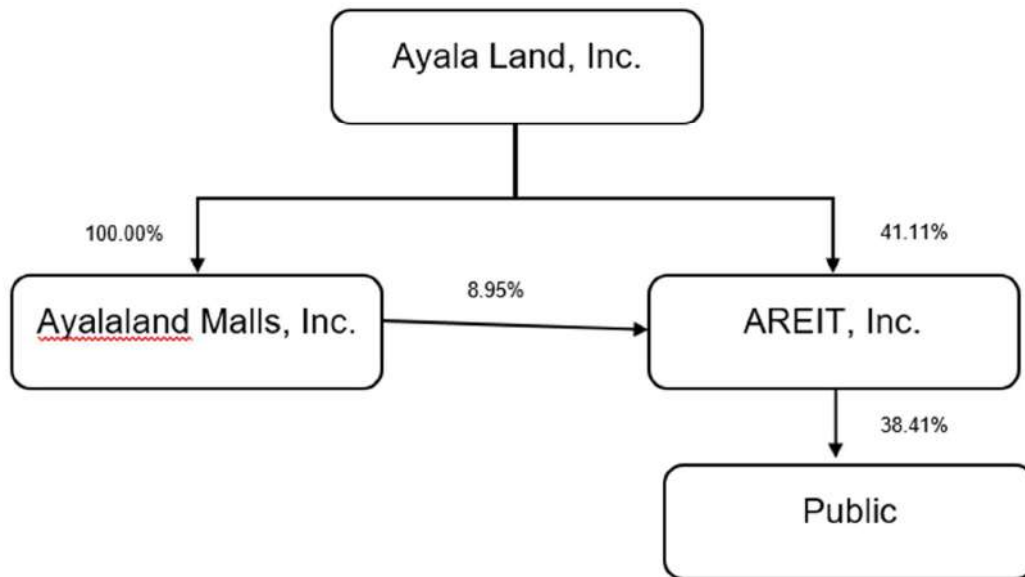
Ratio	Formula		2024	2023	2022
<b>A. Current and liquidity ratios</b>					
1. Current ratio	Total current assets	4,557,171,311	0.83	0.80	0.43
	Divided by: Total current liabilities	5,506,434,066			
	Current ratio	0.83			
2. Acid test ratio	Total current assets	4,557,171,311	0.76	0.77	0.39
	Less: Other current assets	(348,036,017)			
	Quick assets	4,209,135,294			
	Divided by: Total current liabilities	5,506,434,066			
	Acid test ratio	0.76			
B. Solvency ratio	Net income	7,317,064,621	3.66	1.68	0.88
	Add: Depreciation	290,415			
	Net income before depreciation	7,317,355,036			
	Divided by: Total debts*	2,000,000,000			
	Solvency ratio`	3.66			
C. Debt-to-equity ratio	Total debts	2,000,000,000	0.02	0.04	0.05
	Divided by: Total equity	113,370,522,522			
	Debt-to-equity ratio	0.02			
D. Asset-to-equity ratio	Total assets	123,222,682,941	1.09	1.12	1.13
	Divided by: Total equity	113,370,522,522			
	Asset-to-equity ratio	1.09			
E. Interest rate coverage ratio	EBITDA**	7,508,456,152	23.51	21.25	15.71
	Divided by: Interest expense	319,328,672			
	Interest rate coverage ratio	23.51			
<b>F. Profitability ratios</b>					
1. Return on assets (%)	Net income	7,317,064,621	7%	6%	5%
	Divided by: Average total assets	108,247,487,696			
	Return on assets (%)	7%			
2. Return on equity (%)	Net income	7,317,064,621	7%	7%	5%
	Divided by: Average total equity	98,390,179,666			
	Return on equity (%)	7%			
3. Net profit margin	Net income	7,317,064,621	0.71	0.70	0.57
	Divided by: Total revenues	10,259,166,947			
	Net profit margin	0.71			

\* Total debts includes short-term debt, long-term debt, and current portion of the long-term debt

\*\* EBITDA refers to earnings before interest expense and other charges, taxes, and depreciation, and excludes net fair value change in investment properties, interest income, non-recurring gain under finance lease and other income

**AREIT, Inc.**

Map of the Group of Companies within which the Reporting Entity belongs  
As at December 31, 2024

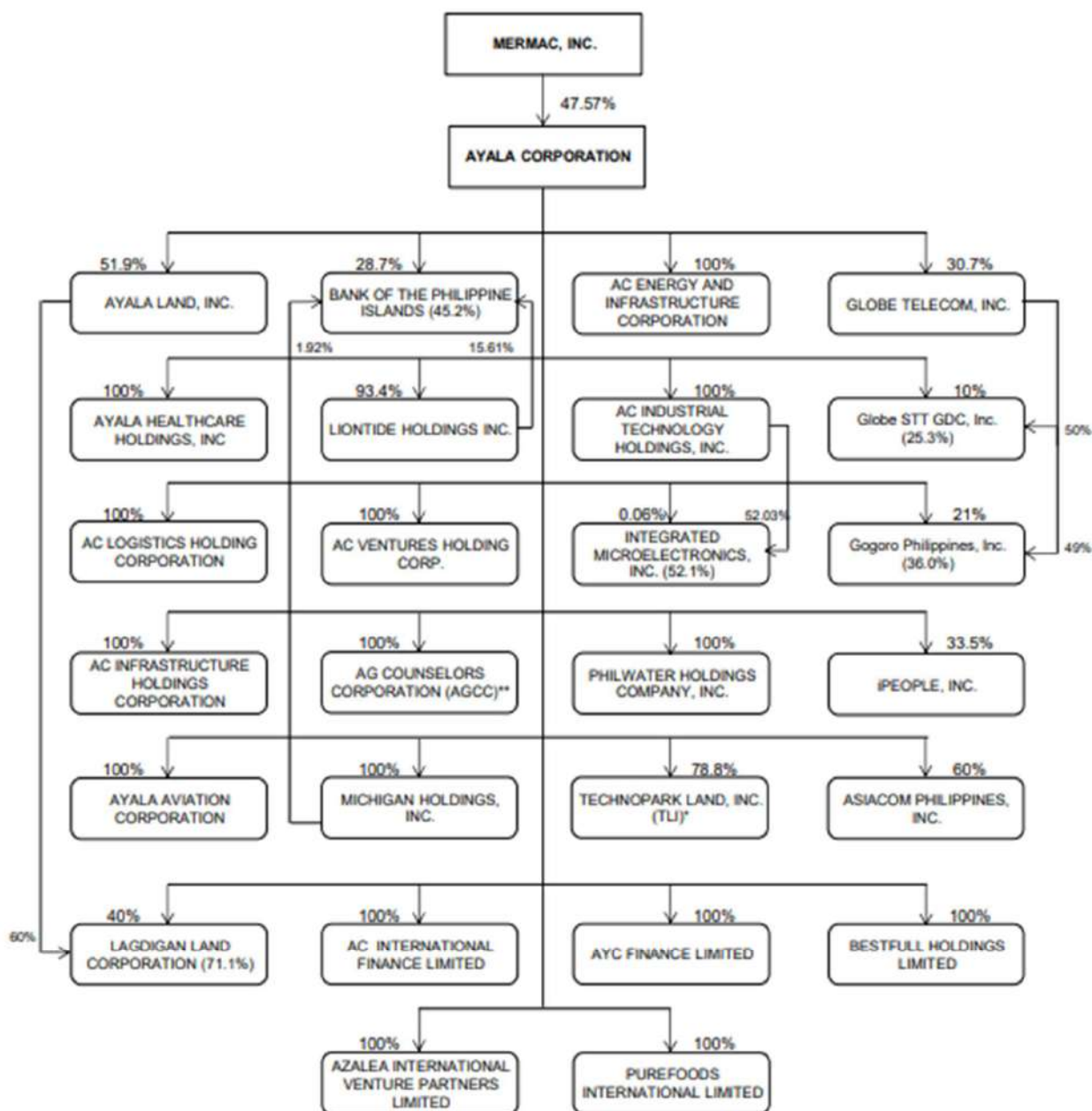


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2024

Page 2



**Legend:**

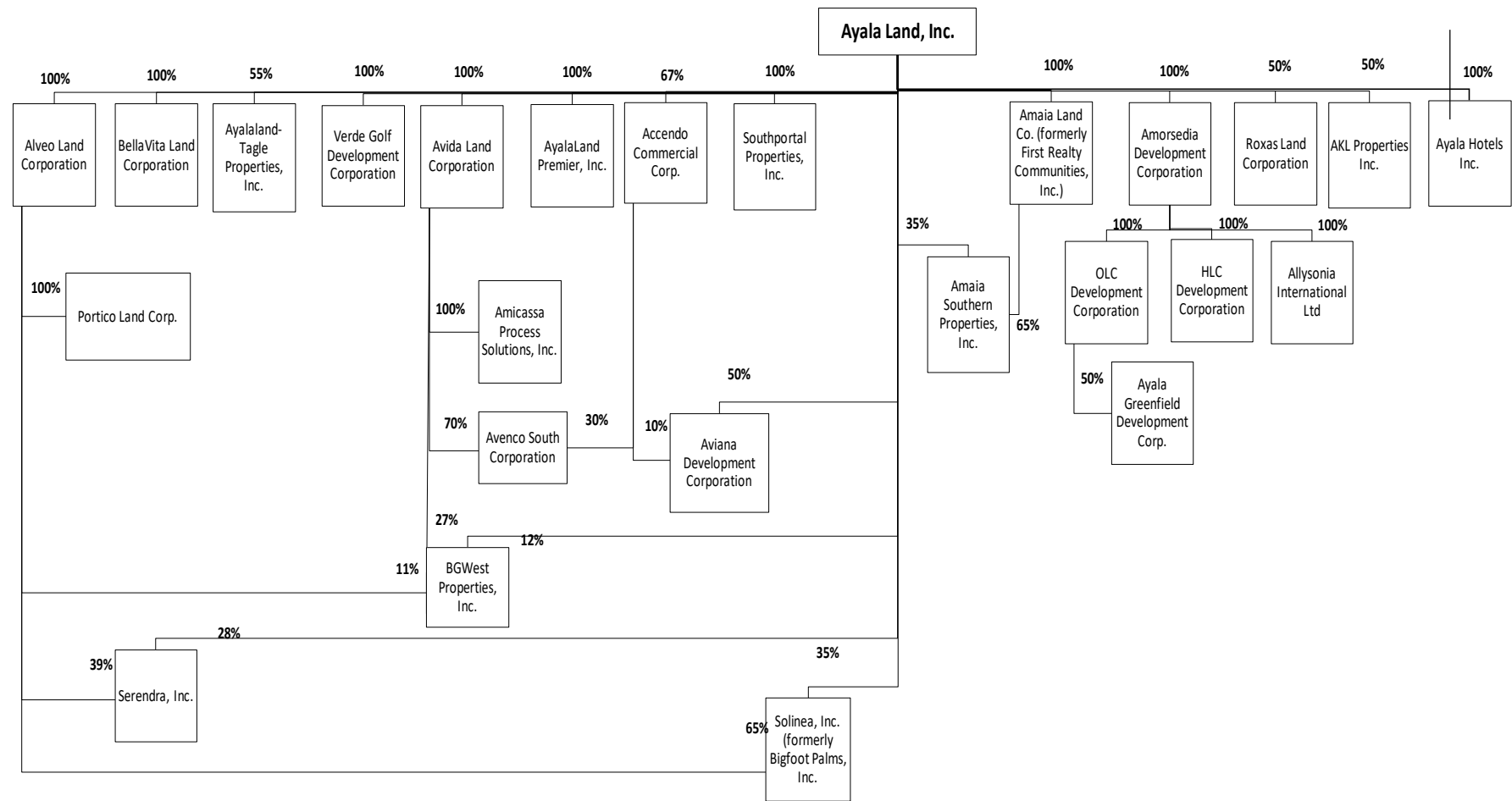
% of ownership appearing outside the box - direct % of economic ownership

% of ownership appearing inside the box - effective % of economic ownership

\*On December 10, 2021, the BOD and stockholders of TLJ approved the plan to shorten its corporate term to June 30, 2023. On December 23, 2021, the SEC approved the amendment of the Fourth Article of the Articles of Incorporation to shorten the corporate term to June 30, 2023. It is anticipated that it will not carry out any significant business operation or activity until approval of closure from other regulatory bodies.

\*\*On January 6, 2025, the SEC approved the amendment to AGCC's AOI including (1) the change of its corporate name to ACX Holdings Corporation, and (2) the change in its business from a business of advisory, consultancy assistance and other allied services, into a holding company with principal business interest in the consumer retail space.

**AREIT, Inc.**  
**Map of the Group of Companies within which the Reporting Entity belongs**  
As at December 31, 2024  
Page 3

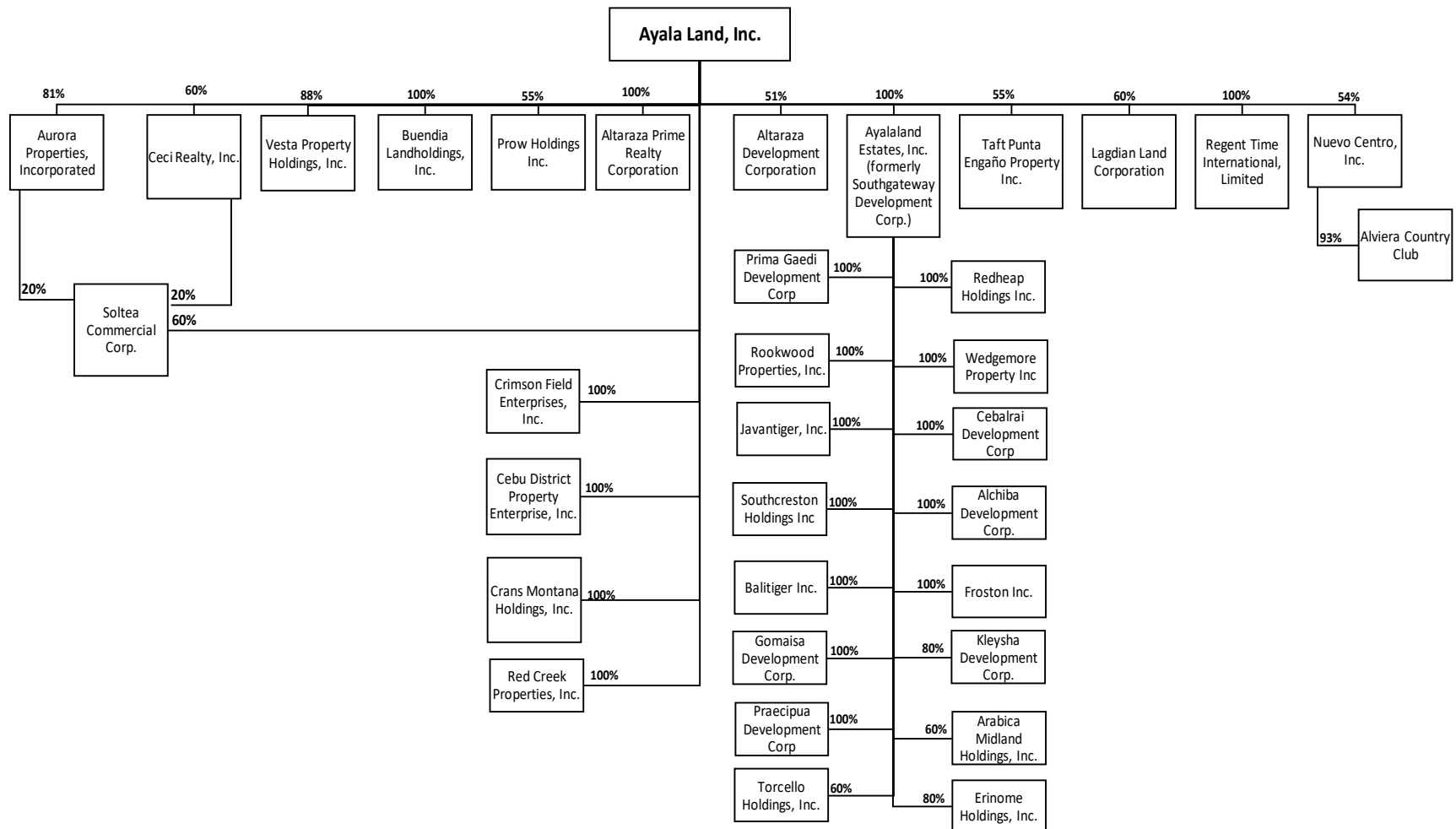


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2024

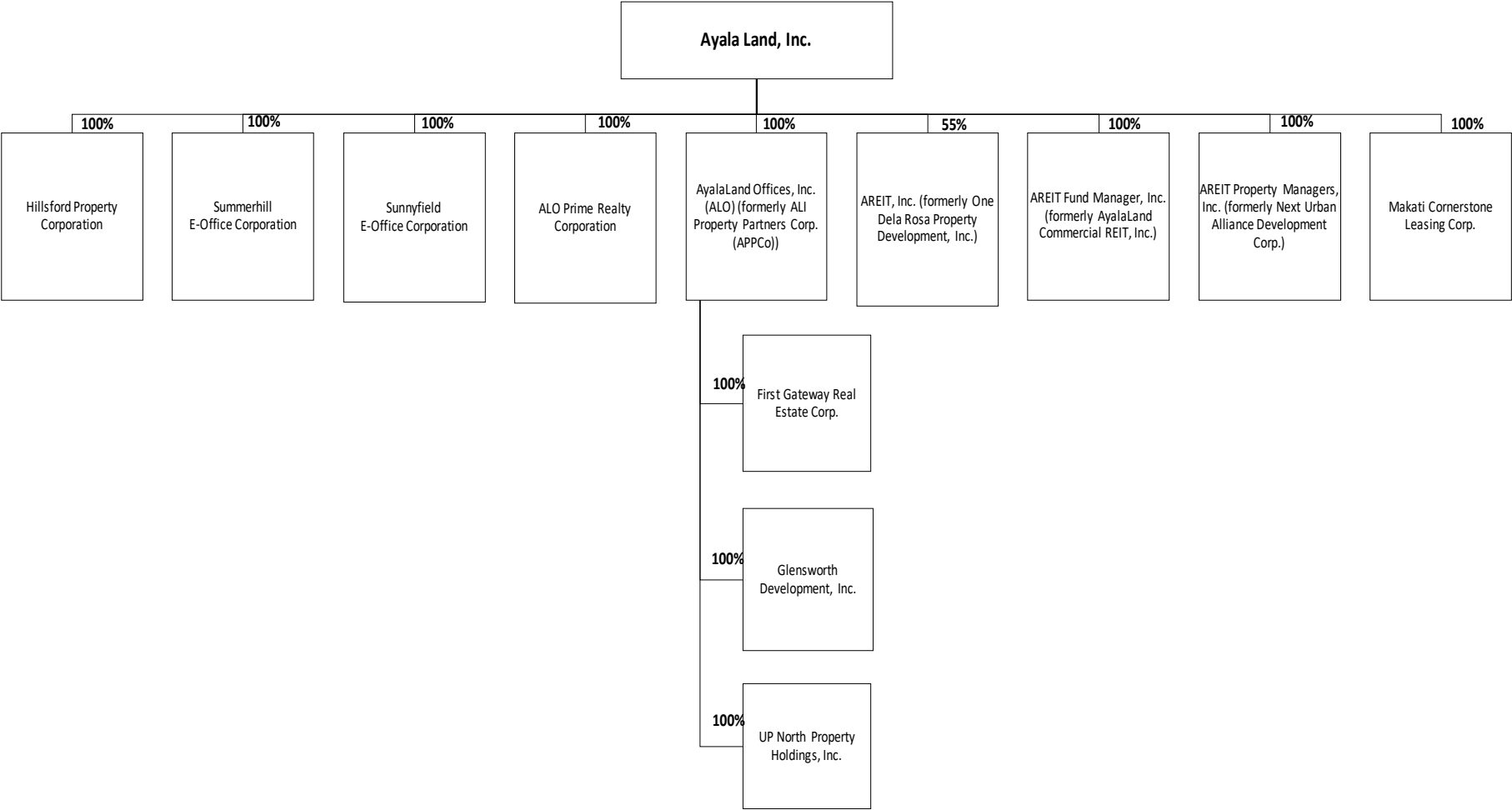
Page 4



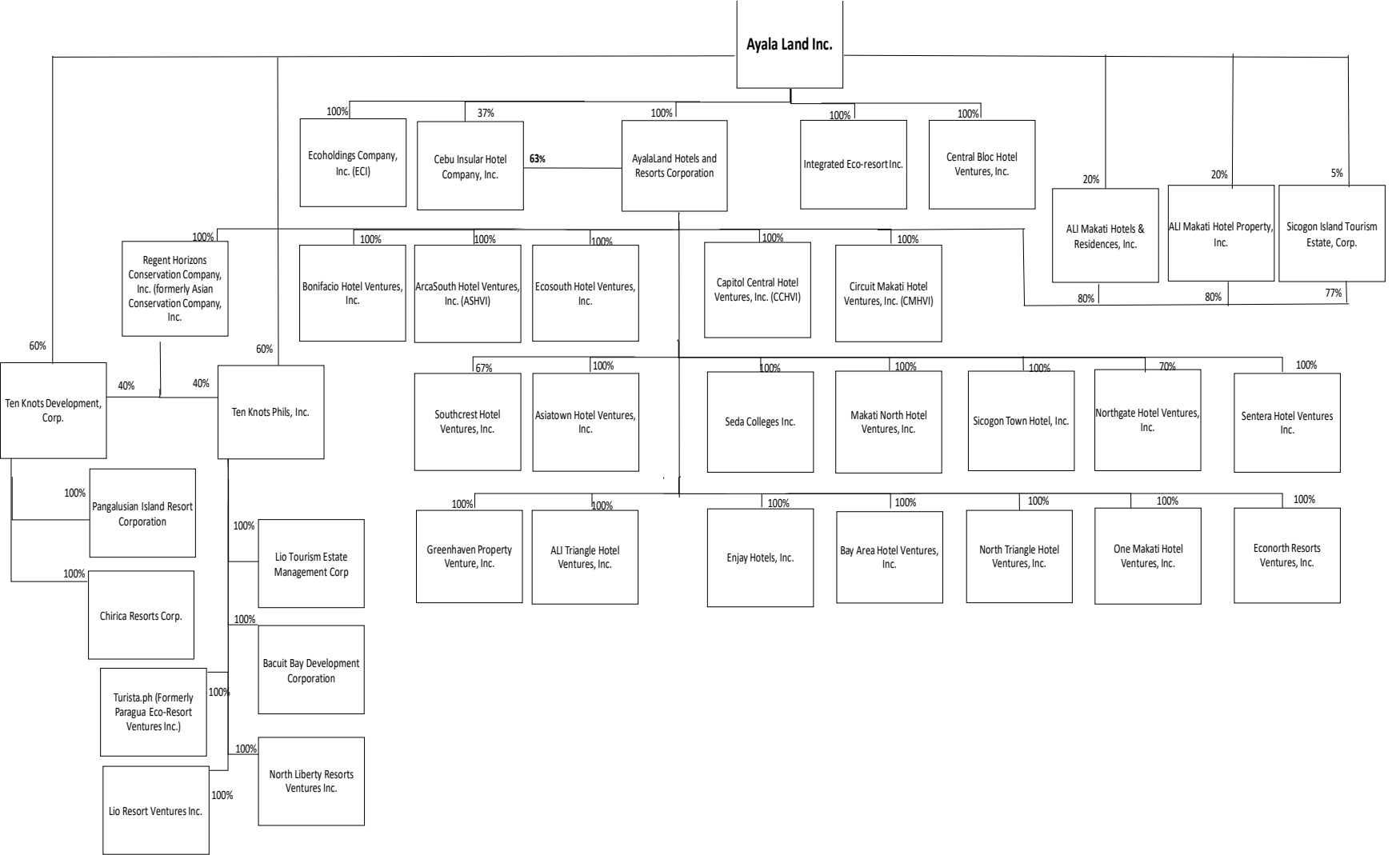
AREIT, Inc.

Map of the Group of Companies within which the Reporting Entity belongs

As at December 31, 2024



**AREIT, Inc.**  
**Map of the Group of Companies within which the Reporting Entity belongs**  
As at December 31, 2024  
Page 6

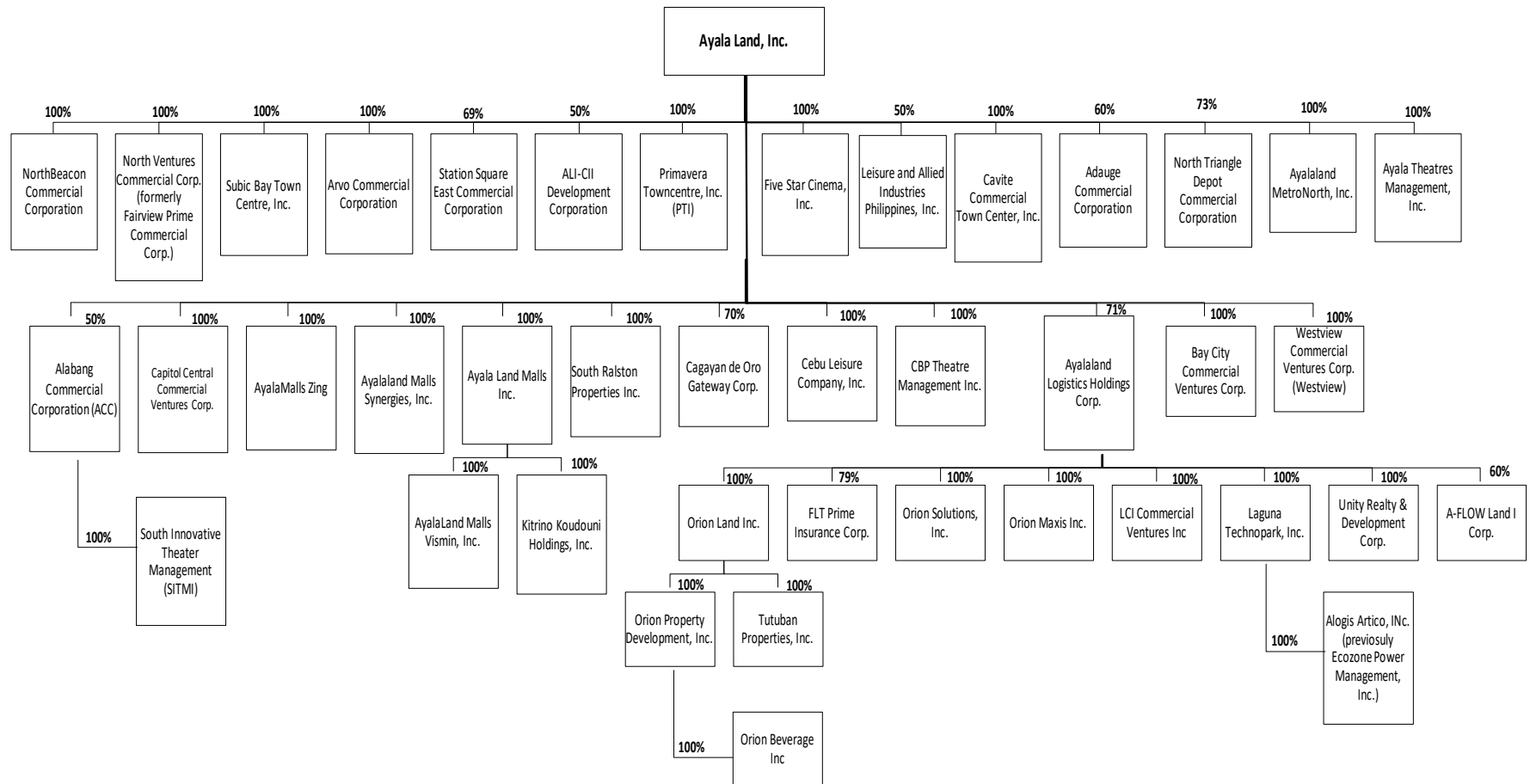


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2024

Page 7

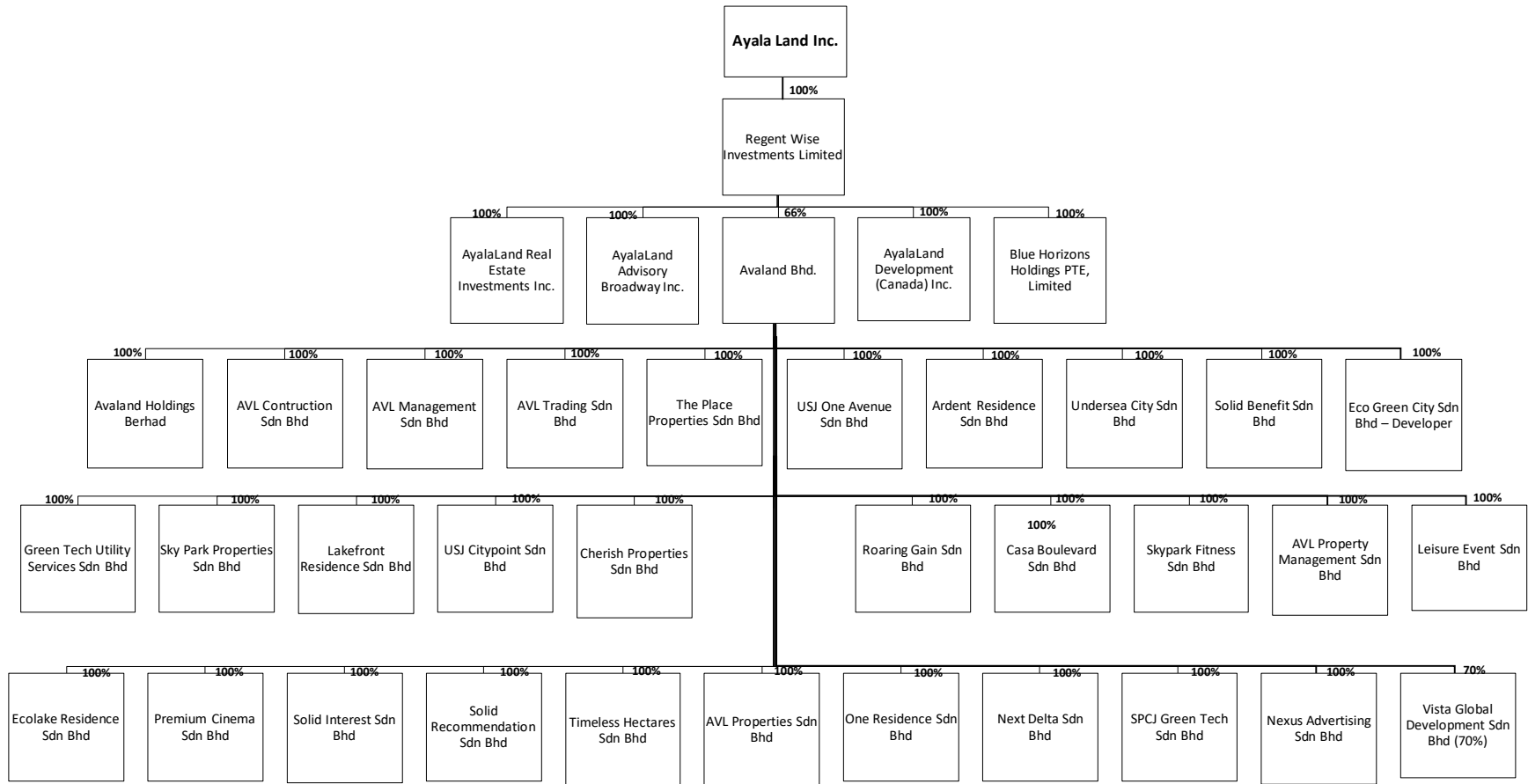


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

As at December 31, 2024

Page 8

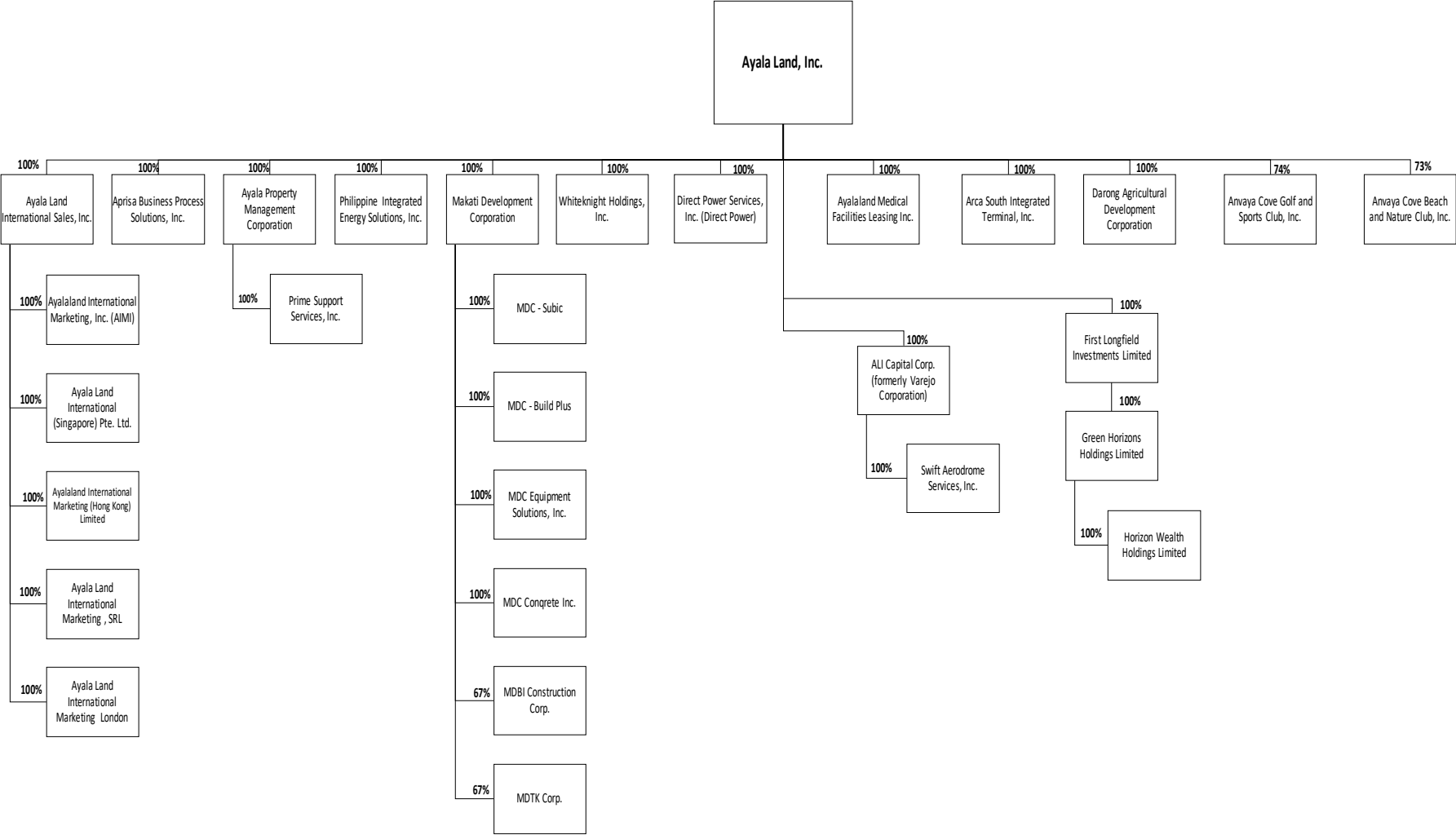


**AREIT, Inc.**

**Map of the Group of Companies within which the Reporting Entity belongs**

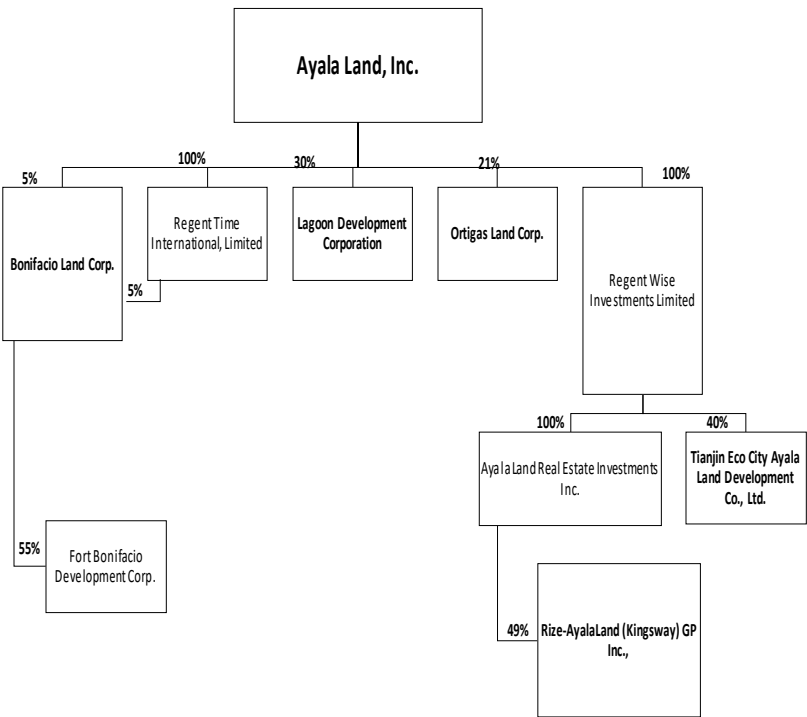
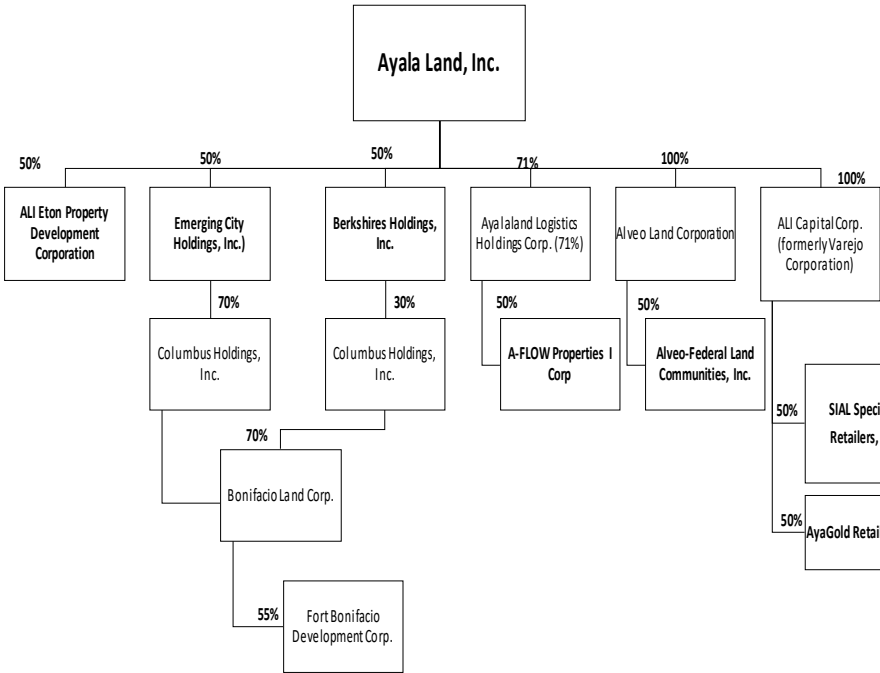
As at December 31, 2024

Page 9



Investments in Joint Ventures

Investments in Associates



**AREIT, Inc.****SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE- RELATED INFORMATION**

As at December 31, 2024 and 2023

Amounts in Philippine Peso (PHP)

	<b>2024</b>	<b>2023</b>
<b>Total Audit Fees (excluding OPE)</b>		
Regular Audit	840,000	800,000
Audit-related (AUP for reinvestment plan)	35,000	-
Total audit fees	875,000	800,000
Non-audit service fees:		
Other assurance services	-	-
Tax services	-	1,250,000
All other services	-	-
Total non-audit fees	-	1,250,000
<b>Total audit and non-audit fees</b>	<b>875,000</b>	<b>2,050,000</b>

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **Glorietta 1 BPO**

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

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 24 January 2025. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 11-2024-1130-020**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate reference use as of **31 December 2024**.

The appraised property consists of a **building (Glorietta 1 BPO)**, located at the **5<sup>th</sup> to 10<sup>th</sup> floors of Glorietta 1, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market conditions, and considered the –

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease / Rent rates of the property,

Extent, character, and utility of the property, and

Highest and best use of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably presented in the amount of **FOUR BILLION ONE HUNDRED EIGHTY-SEVEN MILLION SIX HUNDRED FORTY-SEVEN THOUSAND (Php4,187,647,000) PESOS.**


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

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Department Manager - Real Estate**

PRC Registration Number: 0000087

Valid Until: 12/06/2025

IPREA Membership No. 847

PTR No. 3974190

06 January 2025

City of Dasmariñas

EPL:mfm

CAI File No. 12-2024-1130-020

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 12-2024-1130-020

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

The appraised property consists of **a building occupied by Glorietta 1 BPO**, located **at the 5<sup>th</sup> to 10<sup>th</sup> floor of Glorietta 1, along Ayala Avenue, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Glorietta Commercial Complex is bounded by East Street on the southeast, Palm Drive on the southwest, Parkway Drive on the northwest and Ayala Avenue on the located on the north corner of Ayala Avenue on the northeast. It is located approximately 240 meters northwest from Epifanio delos Santos Avenue; 250 meters northeast from Palm Drive; 400 meters northeast from Arnaiz Avenue; 400 meters southeast from Makati Avenue; and about 800 meters southeast from Paseo de Roxas.

Palm Drive, Parkway Drive and East Street are 20 meters wide while Ayala Avenue is 30 meters wide, concreted with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

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

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Rustan's Makati  
Ritz Tower  
Pacific Plaza Condominium  
The Makati Tuscanny  
Discovery Primea

SM Makati, Landmark and Greenbelt serve as the shopping, marketing, and commercial needs of the residents in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### **III. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio delos Santos Avenue (EDSA) which is approximately 240 meters from the subject condominium building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metro Manila Development Authority (MMDA).

### **V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING**

The property consists of six (6) levels occupied by Glorietta 1 BPO, located on the 5<sup>th</sup> to 10<sup>th</sup> of Glorietta 1, containing a total floor area of 18,769.87 square meters, more or less.

Glorietta 1 BPO is of a reinforced concrete frame on foundation, plaster cement finished concrete hollow block walls and partitions, exposed soffit slab, gypsum board on C-stud frame and acoustic fiber board on T-runner ceilings; cement plastered concrete hollow block walls; fiber cement board, laminated gypsum board, and glass panel partitions; glass on powder coated frame windows; PVC partly with glass, wood panel, metal and glass on aluminum frame doors; and ceramic tile, carpet tile, and epoxy paint finished concrete floors.

This is painted and provided with electrical, firefighting equipment, and plumbing facilities. Based on the list provided by the client, the gross leasable area is approximately 18,769.87 square meters, allocated on the next page:

Floor Level	Area (sq.m.)
5 <sup>th</sup>	3,016.40
6 <sup>th</sup>	3,159.37
7 <sup>th</sup>	3,150.63
8 <sup>th</sup>	3,143.47
9 <sup>th</sup>	3,149.70
10 <sup>th</sup>	<u>3,150.30</u>
<b>Total - 18,769.87 sq.m.</b>	

Estimated remaining economic life is 30 years.

## **VI. DESCRIPTION OF THE SUBJECT BUILDING**

### **Glorietta 1**

The vibrant convergence points of the Makati Central Business District. Strategically located near prestigious office addresses, premier hotels, and main transport terminals, Glorietta occupies a central space in the lives of those in the business district. With its wide selection of shopping, dining, and entertainment offerings organized into strategic zones, Glorietta caters to the various needs of office workers, students, friends, and families.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's

inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property.

These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php373,429,099 including dues-net;
3. The average growth rate of the effective gross revenue over 10-year projection is 3.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and

7. Terminal capitation rate is estimated at 6.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP) GLORIETTA 1														
<b>STATISTICS</b>														
Estimated Leasable Area	18,769.87	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	6.7842%													
Discount Rate	9.7842%													
Present Worth Factor	0.91088		0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319			
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>	Escalation		5.11%	5.02%	-4.80%	18.78%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%		3.00%
Office Spaces	-	-	-	-	-	-	-	-	-	-	-	-		
Retails	-	-	-	-	-	-	-	-	-	-	-	-		
Parking Slots	-	-	-	-	-	-	-	-	-	-	-	-		
<b>PLUS:</b>														
Dues - Net	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Total Annual Revenues</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		373,429,099	392,505,084	412,205,694	392,425,246	466,122,903	480,106,591	494,509,788	509,345,082	524,625,434	540,364,197	4,585,639,119	556,575,123	
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services	9,399,689	9,775,677	10,166,704	10,573,372	10,996,307	11,326,196	11,665,982	12,015,962	12,376,440	12,747,734				
Repairs and maintenance	8,430,488	8,767,708	9,118,416	9,483,153	9,862,479	10,158,353	10,463,104	10,776,997	11,100,307	11,433,316				
Miscellaneous	426,916	443,993	461,752	480,222	499,431	514,414	529,847	545,742	562,114	578,978				
Land lease	31,324,612	32,927,479	34,573,824	31,850,834	39,382,783	40,564,266	41,781,194	43,034,630	44,325,669	45,655,439				
Building lease	-	-	-	-	-	-	-	-	-	-				
Taxes and licenses	18,116,497	18,378,038	18,569,883	18,768,091	18,671,926	19,232,084	19,809,046	20,403,318	21,015,417	21,645,880				
Management fees	28,990,469	29,536,761	30,089,362	32,006,486	35,667,675	36,373,705	37,839,836	38,975,032	40,144,282	41,348,611				
Insurance	1,185,311	1,232,724	1,282,033	1,333,314	1,386,647	1,428,246	1,471,093	1,515,226	1,560,683	1,607,503				
Others	2,614,263	2,718,834	2,827,587	2,940,691	3,058,318	3,150,068	3,244,570	3,341,907	3,442,164	3,545,429				
	100,488,246	103,781,213	107,089,561	107,436,162	119,525,566	123,111,333	126,804,673	130,608,813	134,527,077	138,562,889			142,719,776	
General Administrative Expenses	1,671,302	2,487,962	3,337,288	4,220,587	5,139,219	5,293,395	5,452,197	5,615,763	5,784,236	5,957,763			6,136,496	
Capital Expenditures	11,390,768	11,973,629	12,572,300	11,582,122	14,321,012	14,750,642	15,193,162	15,648,956	16,118,425	16,601,978			17,100,037	
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0			0	
<b>Total</b>		113,550,316	118,242,804	122,999,149	123,238,871	138,985,796	143,155,370	147,450,031	151,873,532	156,429,738	161,122,630	1,377,048,237	165,956,309	
<b>NET INCOME</b>		259,878,783	274,262,280	289,206,545	269,186,375	327,137,107	336,951,221	347,059,757	357,471,550	368,195,696	379,241,567	3,208,590,882	390,618,814	
<b>ADD: Reversion Value (Resale Value)</b>													5,757,778,284	
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												0	
<b>Net Reversion Value</b>													5,757,778,284	
Present Worth Factor @	9.78% discount rate	0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319	
<b>Present Worth of Net Income</b>		236,717,850	227,555,036	218,569,053	185,307,848	205,130,733	192,454,532	180,561,665	169,403,727	158,935,301	149,113,780	1,923,749,525		
<b>Present Worth of Net Reversion Value</b>													2,263,897,622	
<b>Total Present Value of Net Income</b>			1,923,749,525											
<b>Present Worth of Net Reversion Value</b>			2,263,897,622											
<b>Total</b>			4,187,647,147											
<b>Market Value of Property (building and its facilities)</b>	PhP		4,187,647,147											
<b>Rounded to</b>	PhP		4,187,647,000											

On the basis of the foregoing, the market value of Glorietta 1 BPO (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php4,187,647,000.**

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **SOLARIS ONE**

Located at  
**No. 130, Dela Rosa Street  
Legaspi Village, Makati City  
Metro Manila**

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **SOLARIS ONE (building and its facilities)**, located at **No. 130, Dela Rosa Street, Legaspi Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of building and its facilities only, this report pertaining to the said item, therefore, partakes the nature of a fractional appraisal and is rendered as such.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Discounting and capitalization rates;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **SEVEN BILLION THREE HUNDRED SEVENTY-SEVEN MILLION TWO HUNDRED SEVENTY-SIX THOUSAND (Php7,377,276,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**

**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:asu

**CAI File No. 12-2024-1132**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal a certain real property located within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

The appraised property is the **SOLARIS ONE**, located **at No. 130, Dela Rosa Street, within Legaspi Village, Makati City, Metro Manila**.

The site of Solaris One is located approximately 100-meter northwest from Herrera Street; 270 meters southwest from Ayala Avenue near PBCOM Tower; 560 meters northwest from the corner of Paseo de Roxas and Ayala Avenue near Tower One and Exchange Plaza; 950 meters northwest from Makati Avenue; and about 1.70 kilometers northwest from Epifanio Delos Santos Avenue near Ayala MRT Station.

Dela Rosa Street is 12 meters wide, concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial, and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- GT Tower
- LKG Tower
- PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are accessible from Ayala Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government, Makati Central Estate Association Inc. (MACEA) and the Metropolitan Manila Development Authority (MMDA).

## V. **SOLARIS ONE**

This is a 24-storey reinforced concrete framed building having reinforced concrete slab roof deck; pre-cast concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

This is a state-of-the-art 24-story PEZA-accredited building developed to meet Grade "A" specifications, Solaris One is built on 3,612 square meters of prime property along Dela Rosa Street in the Makati Central Business District. Business Process Outsourcing (BPO)-ready, the building offers a total Gross Leasable Area of 46,768 square meters, features large efficient floor plates approximately 2,800 square meters in size and provides a conducive working environment for employees with its high-end facilities. It is equipped with 100% back-up generators; a centralized chilled water system; 671 secured above-ground parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Solaris One also has a mini park and is in the vicinity of retail shops and dining establishments at People Support Center and Convergys One.

### Other Building Information

Location of Property:	Central
Type of Property:	Office- BPO
Total Number of Storeys:	24
Building Height (m) :	119.7
Number of Carpark Storeys (upper levels):	7
Total Number of Parking Slots:	671
Gross Floor Area (sqm):	73,322.00
<b>Milestones</b>	
Construction Date	
Start:	10/1/2006
End:	10/1/2008
Date Operational:	2008

The estimated remaining economic life is 34 years.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that an **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php779,527,421 including dues-net, and average lease rates are Php1,035/sq.m./mo. for office, Php1,695/sq.m./mo. for retail and Php3,956/slot/mo. for parking in consideration of prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 2.50% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 5% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.28% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
SOLARIS ONE														
STATISTICS														
Estimated Leasable Area					Ave. Lease Rate on Yr. 1									
9th to 25th Floors	Office Space	46,027.00	sq.m.		Php1,035/sq.m./mo.									
Ground and Mezzanine Floors	Retails	741.00	sq.m.		Php1,695/sq.m./mo.									
		46,768.00	sq.m.											
2nd to 8th Floors	Parking Slots	671	slots		Php3,956/slot/mo.									
Discount Rate		9.78%												
Average Growth Rate		2.50%												
Terminal Capitalization Rate		7.28%												
Present Worth Factor				0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	
	Year	1	2	3	4	5	6	7	8	9	10	Totals	11	
GROSS REVENUES	Escalation	-	-6.15%	10.56%	4.85%	4.77%	2.50%	2.50%	2.50%	2.50%	2.50%		2.50%	
Office Spaces		-	-	-	-	-	-	-	-	-	-	-	-	
Retails		-	-	-	-	-	-	-	-	-	-	-	-	
Parking Slots		-	-	-	-	-	-	-	-	-	-	-	-	
plus: Dues - Net														
Total Annual Revenues		-	-	-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)	of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)		779,527,421	731,573,166	808,827,931	848,027,107	888,511,394	910,724,179	933,492,283	956,829,590	980,750,330	1,005,269,088	8,843,532,489	1,030,400,815	
LESS: OPERATING EXPENSES	Php(000)													
Direct Operating Expenses														
Outside services		14,010,848	14,571,282	15,154,133	15,760,299	16,390,711	16,800,478	17,220,490	17,651,003	18,092,278	18,544,585	164,196,107	19,008,199	
Repairs and maintenance		28,776,122	29,927,167	31,124,254	32,369,224	33,663,993	34,505,592	35,368,232	36,252,438	37,158,749	38,087,718	337,233,489	39,039,911	
Miscellaneous		2,952,993	3,071,113	3,193,958	3,321,716	3,454,585	3,540,949	3,629,473	3,720,210	3,813,215	3,908,545	34,606,757	4,006,259	
Land lease		44,227,238	42,607,532	44,951,201	47,107,242	49,323,662	50,556,754	51,820,673	53,116,190	54,444,094	55,805,197	493,959,783	57,200,327	
Building lease		-	-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses		36,079,266	36,394,346	36,092,435	36,731,629	37,087,515	38,014,703	38,965,070	39,939,197	40,937,677	41,961,119	382,202,956	43,010,147	
Management fees		56,662,168	56,765,088	61,831,889	64,554,945	67,379,660	69,064,151	70,790,755	72,560,524	74,374,537	76,233,900	670,217,617	78,139,748	
Insurance		1,971,157	2,050,004	2,132,004	2,217,284	2,305,975	2,363,625	2,422,715	2,483,283	2,545,365	2,608,999	23,100,411	2,674,224	
Others		3,881,950	4,037,228	4,198,717	4,366,666	4,541,333	4,654,866	4,771,238	4,890,519	5,012,782	5,138,101	45,493,400	5,266,554	
		188,561,743	189,423,760	198,678,591	206,429,004	214,147,433	219,501,118	224,988,646	230,613,363	236,378,697	242,288,164	2,151,010,519	248,345,368	
General Administrative Expenses		24,283,223	24,866,852	26,288,041	27,748,404	29,249,623	29,980,863	30,730,385	31,498,644	32,286,110	33,093,263	290,025,409	33,920,595	
Capital Expenditures		76,069,911	65,922,758	64,216,002	33,648,030	35,231,187	36,111,967	37,014,766	37,940,135	38,888,639	39,860,855	464,904,250	40,857,376	
Total		288,914,877	280,213,370	289,182,635	267,825,438	278,628,243	285,593,949	292,733,797	300,052,142	307,553,446	315,242,282	2,905,940,178	323,123,339	
NET INCOME		490,612,543	451,359,797	519,645,296	580,201,669	609,883,151	625,130,230	640,758,486	656,777,448	673,196,884	690,026,806	5,937,592,311	707,277,476	
ADD: Reversion Value (Resale Value)													9,709,756,971	
LESS: Marketing Cost	0.00% of Resale Value												0	
Net Reversion Value													9,709,756,971	
Present Worth Factor @	9.78% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	0.39319	
Present Worth of Net Income		446,888,143	374,492,602	392,724,101	399,410,716	382,426,130	357,052,114	333,361,667	311,243,083	290,592,070	271,311,254	3,559,501,879		
Present Worth of Net Reversion Value													3,817,773,912	
Total Present Value of Net Income			3,559,501,879											
Present Worth of Net Reversion Value			3,817,773,912											
Total			7,377,275,791											
Market Value of Property (building and its facilities)	PhP		7,377,275,791											
Rounded to	PhP		7,377,276,000											

On the basis of the foregoing, the market value of Solaris One (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php7,377,276,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **AYALA NORTH EXCHANGE - BPO**

Located at  
**No. 6796 Ayala Avenue corner Salcedo Street  
Legaspi Village, Makati City, Metro Manila**

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-001**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **AYALA NORTH EXCHANGE - BPO (building and its facilities)**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **SIX BILLION THIRTEEN MILLION SEVEN HUNDRED SIXTY-ONE THOUSAND (Php6,013,761,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**

**Senior Real Estate Manager**

PRO Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:asu

CAI File No. 12-2024-1132-001

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-001**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain real property located on the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the clients and as shown to us by the client's representative, the appraised property is the **AYALA NORTH EXCHANGE – BPO**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The site of Ayala North Exchange is bounded by Amorsolo Street on the northwest, Ayala Avenue on the northeast and Salcedo Street on the southeast, it is located approximately 220-meter northwest from V. A. Rufino Street; 390 meters southwest from Ayala Avenue near PBCOM Tower; 680 meters northwest from the corner of Paseo De Roxas and Ayala Avenue near Tower One and Exchange Plaza; 1.08 kilometers northwest from Makati Avenue; and about 1.82 kilometers northwest from Epifanio de los Santos Avenue near Ayala MRT Station.

Ayala Avenue, Amorsolo and Salcedo Streets are correspondingly 40, 12 and 12 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage, the former has a center island.

### **III. NEIGHBORHOOD DATA**

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- GT Tower
- LKG Tower
- PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from Ayala Avenue by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

## V. AYALA NORTH EXCHANGE

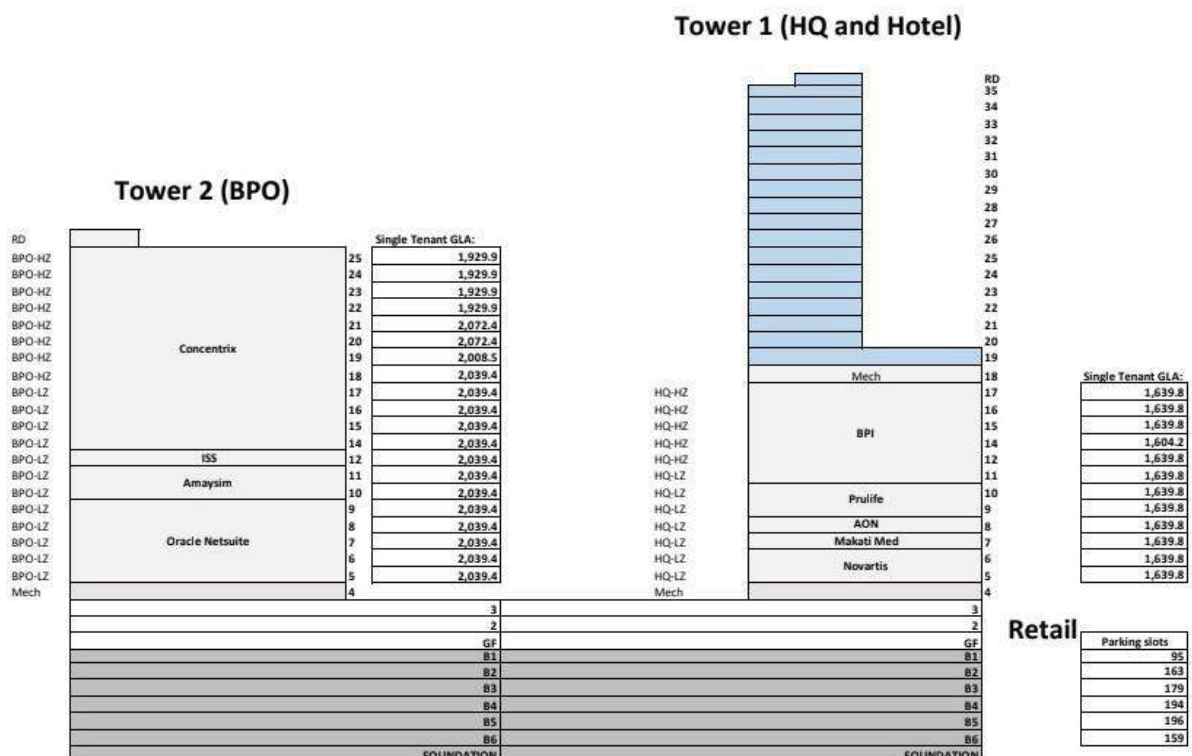
### Ayala North Exchange

This consists of two towers, designated as Towers 1 and 2 on top of a 3-level podium and 6-level basements. Tower 1 (HQ and Service Apartments) comprises offices from 5<sup>th</sup> to 17<sup>th</sup> floors and serviced apartments together with its other amenities and back of house area from the 18<sup>th</sup> to 35<sup>th</sup> floors. Tower 2 (BPO) comprises of BPO offices on the 5<sup>th</sup> to 25<sup>th</sup> floors, 4<sup>th</sup> and 18<sup>th</sup> floors of Towers 1 and 2 are machine rooms. The podium, ground to third floors are retail areas and the basements are used as parking.

This is reinforced concrete framed building having reinforced concrete slab roof deck; pre-cast concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

This is equipped with 100% back-up generators; a centralized chilled water system; 986 parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Total floor area is 120,090.25-square meter.

### Graphical Representation of Ayala North Exchange



## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted

the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php595,236,698 including dues-net, and average lease rate for office is Php992/sq.m./mo. in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 3.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 4% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
AYALA NORTH EXCHANGE -BPO														
STATISTICS														
Estimated Leasable Area														
5th to 25th Floors		Office Space	40,354.00	sq.m.										
Discount Rate			9.78%											
Average Growth Rate			3.00%											
Terminal Capitalization Rate			6.78%											
Present Worth Factor				0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	
				Year	1	2	3	4	5	6	7	8	9	10
														Totals
														11
GROSS REVENUES		Escalation	-	6.79%	1.67%	5.02%	5.03%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	-
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-
plus: Dues - Net														
Total Annual Revenues			-	-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)		of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)			595,236,698	635,675,017	646,302,831	678,750,084	712,921,824	734,309,479	756,338,763	779,028,926	802,399,794	826,471,787	7,167,435,204	851,265,941
LESS: OPERATING EXPENSES		Php(000)												
Direct Operating Expenses														
Outside services			12,234,735	12,724,125	13,233,090	13,762,413	14,312,910	14,742,297	15,184,566	15,640,103	16,109,306	16,592,585	144,536,130	17,090,363
Repairs and maintenance			17,010,439	17,690,856	18,398,491	19,134,430	19,899,808	20,496,802	21,111,706	21,745,057	22,397,409	23,069,331	200,954,328	23,761,411
Miscellaneous			1,992,533	2,072,234	2,155,123	2,241,328	2,330,981	2,400,911	2,472,938	2,547,126	2,623,540	2,702,246	23,538,960	2,783,314
Land lease			46,849,157	51,564,479	52,983,879	55,624,227	58,405,429	60,157,592	61,962,320	63,821,189	65,735,825	67,707,900	584,811,996	69,739,137
Building lease			-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			61,930,672	62,162,536	62,544,520	62,706,073	63,034,546	64,925,582	66,873,350	68,879,550	70,945,937	73,074,315	657,077,083	75,266,545
Management fees			42,030,005	47,007,383	49,377,338	51,749,243	54,233,260	55,860,258	57,536,065	59,262,147	61,040,012	62,871,212	540,966,923	64,757,348
Insurance			5,202,691	5,410,799	5,627,231	5,852,320	6,086,413	6,269,005	6,457,075	6,650,788	6,850,311	7,055,821	61,462,454	7,267,495
Others			2,622,943	2,727,861	2,836,975	2,950,454	3,068,472	3,160,526	3,255,342	3,353,003	3,453,593	3,557,200	30,986,369	3,663,916
			189,873,175	201,360,273	207,156,647	214,020,488	221,371,819	228,012,973	234,853,362	241,898,963	249,155,932	256,630,610	2,244,334,243	264,329,528
General Administrative Expenses			2,424,901	2,521,897	2,622,773	2,727,684	2,836,792	2,921,895	3,009,552	3,099,839	3,192,834	3,288,619	28,646,788	3,387,278
Capital Expenditures			19,725,961	21,711,360	22,309,002	23,420,727	24,591,760	25,329,512	26,089,398	26,872,080	27,678,242	28,508,589	246,236,630	29,363,847
Total			212,024,037	225,593,530	232,088,422	240,168,900	248,800,370	256,264,381	263,952,312	271,870,882	280,027,008	288,427,819	2,519,217,662	297,080,653
NET INCOME			383,212,661	410,081,487	414,214,409	438,581,184	464,121,454	478,045,098	492,386,451	507,158,044	522,372,785	538,043,969	4,648,217,542	554,185,288
ADD: Reversion Value (Resale Value)														8,168,771,957
LESS: Marketing Cost		0.00% of Resale Value												0
Net Reversion Value														8,168,771,957
Present Worth Factor @		9.78% discount rate	0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
Present Worth of Net Income			349,059,959	340,244,045	313,044,268	301,919,201	291,026,521	273,042,327	256,169,479	240,339,302	225,487,361	211,553,207	2,801,885,671	
Present Worth of Net Reversion Value														3,211,874,876
Total Present Value of Net Income														2,801,885,671
Present Worth of Net Reversion Value														3,211,874,876
Total														6,013,760,547
Market Value of Property (building and its facilities)														6,013,760,547
Rounded to														6,013,761,000

On the basis of the foregoing, the market value of the **Ayala North Exchange - BPO (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php6,013,761,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **AYALA NORTH EXCHANGE - HQ**

Located at  
**No. 6796 Ayala Avenue corner Salcedo Street  
Legaspi Village, Makati City, Metro Manila**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-002**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **AYALA NORTH EXCHANGE - HQ (building and its facilities)**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **THREE BILLION THREE HUNDRED FORTY-FIVE MILLION ONE HUNDRED SIX THOUSAND (Php3,345,106,000) PESOS.**


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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**  
PRC Registration Number: 0000407  
Valid Until: 05/10/2026  
IPREA Membership No. 1024  
PTR No. 3346304  
10 January 2025  
City of Malolos

AVS:asu

CAI File No. 12-2024-1132-002

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-002**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located on the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the clients and as shown to us by the client's representative, the appraised property is the **AYALA NORTH EXCHANGE – HQ**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The site of Ayala North Exchange is bounded by Amorsolo Street on the northwest, Ayala Avenue on the northeast and Salcedo Street on the southeast, it is located approximately 220-meter northwest from V. A. Rufino Street; 390 meters southwest from Ayala Avenue near PBCOM Tower; 680 meters northwest from the corner of Paseo De Roxas and Ayala Avenue near Tower One and Exchange Plaza; 1.08 kilometers northwest from Makati Avenue; and about 1.82 kilometers northwest from Epifanio Delos Santos Avenue near Ayala MRT Station.

Ayala Avenue, Amorsolo and Salcedo Streets are correspondingly 40, 12 and 12 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage, the former has a center island.

### **III. NEIGHBORHOOD DATA**

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- GT Tower
- LKG Tower
- PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the Ayala Avenue by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

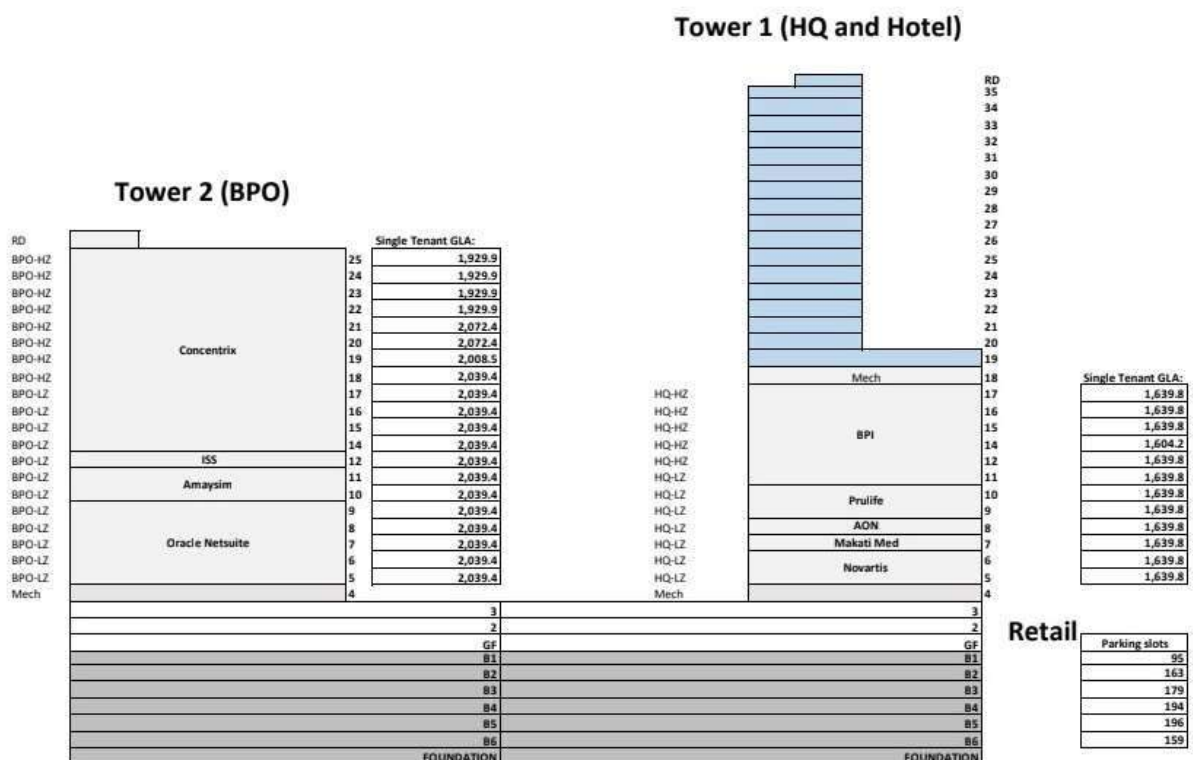
**V. AYALA NORTH EXCHANGE****Ayala North Exchange**

This consists of two towers, designated as Towers 1 and 2 on top of a 3-level podium and 6-level basements. Tower 1 (HQ and Service Apartments) comprises offices from 5<sup>th</sup> to 17<sup>th</sup> floors and serviced apartments together with other amenities and back of house area from the 18<sup>th</sup> to 35<sup>th</sup> floors. Tower 2 (BPO) comprises of BPO offices on the 5<sup>th</sup> to 25<sup>th</sup> floors, 4<sup>th</sup> and 18<sup>th</sup> floors of Towers 1 and 2 are machine rooms. The podium, ground to third floors are retail areas and the basements are used as parking.

This is reinforced concrete framed building having reinforced concrete slab roof deck; pre-cast concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

This is equipped with 100% back-up generators; a centralized chilled water system; 986 parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Total floor area is 120,090.25-square meter.

Graphical Representation of Ayala North Exchange



## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate of Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow.

For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php298,541,753 including dues-net, and average lease rates for office is Php881/sq.m./mo. in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 3.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 4% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
AYALA NORTH EXCHANGE - HQ														
STATISTICS														
Estimated Leasable Area					Ave. Lease Rate on Yr. 1									
Gross Leasable Area	Office Space	21,367.76	sq.m.		Php881/sq.m./mo.									
Discount Rate		9.78%												
Average Growth Rate		3.00%												
Terminal Capitalization Rate		6.78%												
Present Worth Factor				0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES	Escalation	-		15.71%	4.99%	4.14%	4.02%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	11
Office Spaces		-		-	-	-	-	-	-	-	-	-	-	
Parking Slots		-		-	-	-	-	-	-	-	-	-	-	
		-		-	-	-	-	-	-	-	-	-	-	
plus: Dues - Net														
Total Annual Revenues		-		-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)	of gross revenues	-		-	-	-	-	-	-	-	-	-	-	-
		-		-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)		298,541,753		345,432,413	362,682,787	377,706,042	392,879,249	404,665,627	416,805,595	429,309,763	442,189,056	455,454,728	3,925,667,012	469,118,370
LESS: OPERATING EXPENSES	Php(000)													
Direct Operating Expenses														
Outside services		9,247,954		9,617,872	10,002,587	10,402,690	10,818,798	11,143,362	11,477,662	11,821,992	12,176,652	12,541,952	109,251,519	12,918,210
Repairs and maintenance		12,761,941		13,272,418	13,803,315	14,355,448	14,929,666	15,377,556	15,838,882	16,314,049	16,803,470	17,307,574	150,764,318	17,826,801
Miscellaneous		1,255,653		1,305,879	1,358,114	1,412,438	1,468,936	1,513,004	1,558,394	1,605,146	1,653,300	1,702,899	14,833,762	1,753,986
Land lease		23,858,323		27,839,593	29,072,435	30,264,241	31,477,385	32,421,706	33,394,357	34,396,188	35,428,074	36,490,916	314,643,219	37,585,644
Building lease		-		-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses		21,776,676		22,657,211	23,041,427	23,203,395	23,351,210	24,051,747	24,773,299	25,516,498	26,281,993	27,070,453	241,723,910	27,882,566
Management fees		22,706,092		26,010,484	26,921,464	28,179,771	29,520,403	30,406,015	31,318,195	32,257,741	33,225,473	34,222,237	294,767,875	35,248,905
Insurance		2,823,113		2,936,038	3,053,479	3,175,618	3,302,643	3,401,723	3,503,774	3,608,887	3,717,154	3,828,669	33,351,099	3,943,529
Others		1,952,755		2,030,865	2,112,100	2,196,584	2,284,447	2,352,981	2,423,570	2,496,277	2,571,166	2,648,301	23,069,047	2,727,750
		96,382,506		105,670,360	109,364,921	113,190,185	117,153,488	120,668,092	124,288,135	128,016,779	131,857,282	135,813,001	1,182,404,750	139,887,391
General Administrative Expenses		2,490,172		2,589,779	2,693,370	2,801,105	2,913,149	3,000,543	3,090,560	3,183,276	3,278,775	3,377,138	29,417,866	3,478,452
Capital Expenditures		10,045,610		11,721,934	12,241,025	12,742,838	13,253,636	13,651,245	14,060,782	14,482,606	14,917,084	15,364,596	132,481,355	15,825,534
Total		108,918,288		119,982,073	124,299,316	128,734,128	133,320,272	137,319,880	141,439,477	145,682,661	150,053,141	154,554,735	1,344,303,971	159,191,377
NET INCOME		189,623,465		225,450,339	238,383,471	248,971,915	259,558,977	267,345,746	275,366,119	283,627,102	292,135,915	300,899,993	2,581,363,041	309,926,992
ADD: Reversion Value (Resale Value)														4,568,369,064
LESS: Marketing Cost	0.00% of Resale Value													0
Net Reversion Value														4,568,369,064
Present Worth Factor @	9.78% discount rate			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	0.39319
Present Worth of Net Income		172,723,831		187,055,836	180,159,303	171,392,217	162,755,988	152,698,365	143,262,259	134,409,264	126,103,347	118,310,700	1,548,871,111	
Present Worth of Net Reversion Value														1,796,234,476
Total Present Value of Net Income					1,548,871,111									
Present Worth of Net Reversion Value					1,796,234,476									
Total					3,345,105,587									
Market Value of Property (building and its facilities)	PhP				3,345,105,587									
Rounded to	PhP				3,345,106,000									

On the basis of the foregoing, the market value of the **Ayala North Exchange - HQ (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php3,345,106,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **AYALA NORTH EXCHANGE - RETAIL**

Located at  
**No. 6796 Ayala Avenue corner Salcedo Street  
Legaspi Village, Makati City, Metro Manila**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-003**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **AYALA NORTH EXCHANGE - RETAIL (building and its facilities)**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **SIX HUNDRED FIFTY MILLION SIX HUNDRED THIRTY THOUSAND (Php650,630,000) PESOS.**


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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**

**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:asu

CAI File No. 12-2024-1132-003

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-003**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain real property located on the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the clients and as shown to us by the client's representative, the appraised property is the **AYALA NORTH EXCHANGE – RETAIL**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila, Metro Manila**.

The site of Ayala North Exchange is bounded by Amorsolo Street on the northwest, Ayala Avenue on the northeast and Salcedo Street on the southeast, it is located approximately 220-meter northwest from V. A. Rufino Street; 390 meters southwest from Ayala Avenue near PBCOM Tower; 680 meters northwest from the corner of Paseo De Roxas and Ayala Avenue near Tower One and Exchange Plaza; 1.08 kilometers northwest from Makati Avenue; and about 1.82 kilometers northwest from Epifanio Delos Santos Avenue near Ayala MRT Station.

Ayala Avenue, Amorsolo and Salcedo Streets are correspondingly 40, 12 and 12 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage, the former has a center island.

### **III. NEIGHBORHOOD DATA**

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- GT Tower
- LKG Tower
- PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the Ayala Avenue by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).



## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate of Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow.

For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php93,995,420 including dues-net in consideration prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 2.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 4% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)													
AYALA NORTH EXCHANGE - RETAIL													
STATISTICS													
Estimated Leasable Area													
	Office Space	-	-										
	Retails	7,542.39	sq.m.	-									
Discount Rate		9.78%											
Average Growth Rate		2.00%											
Terminal Capitalization Rate		7.78%											
Present Worth Factor			0.91088		0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
<b>GROSS REVENUES</b>			Escalation	-	4.45%	4.69%	5.02%	5.04%	2.00%	2.00%	2.00%	2.00%	2.00%
	Office Spaces		-	-	-	-	-	-	-	-	-	-	-
	Retails		-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-
<b>plus: Dues - Net</b>													
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>													
Vacancy Rate (incl. bad debts)		of gross revenues	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>93,995,420</b>	<b>98,175,620</b>	<b>102,782,434</b>	<b>107,944,394</b>	<b>113,380,576</b>	<b>115,648,188</b>	<b>117,961,151</b>	<b>120,320,374</b>	<b>122,726,782</b>	<b>125,181,317</b>	<b>1,118,116,256</b>
<b>LESS: OPERATING EXPENSES</b>		Php(000)											
Direct Operating Expenses													
Outside services			4,975,951	5,174,989	5,381,989	5,597,268	5,821,159	5,937,582	6,056,334	6,177,460	6,301,010	6,427,030	57,850,771
Repairs and maintenance			6,802,985	7,075,105	7,358,109	7,652,433	7,958,531	8,117,701	8,280,055	8,445,657	8,614,570	8,786,861	79,092,008
Miscellaneous			1,815,798	1,888,430	1,963,967	2,042,526	2,124,227	2,166,711	2,210,045	2,254,246	2,299,331	2,345,318	21,110,599
Land lease			5,396,521	5,663,176	5,925,545	6,211,284	6,507,809	6,637,965	6,770,725	6,906,139	7,044,262	7,185,147	64,248,575
Building lease			-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			19,031,155	19,054,753	19,288,460	19,512,705	19,757,101	20,152,243	20,555,288	20,966,394	21,385,722	21,813,436	201,517,256
Management fees			6,777,279	7,112,454	7,456,559	7,842,276	8,246,321	8,411,248	8,579,473	8,751,062	8,926,083	9,104,605	81,207,359
Insurance			-	-	-	-	-	-	-	-	-	-	-
Others			960,969	999,407	1,039,384	1,080,959	1,124,197	1,146,681	1,169,615	1,193,007	1,216,867	1,241,205	11,172,291
			45,760,659	46,968,313	48,414,012	49,939,452	51,539,345	52,570,132	53,621,535	54,693,965	55,787,845	56,903,601	516,198,860
General Administrative Expenses			761,842	792,315	824,008	856,968	891,247	909,072	927,253	945,798	964,714	984,009	8,857,226
Capital Expenditures			3,786,890	3,973,928	4,157,504	4,357,715	4,565,391	4,656,698	4,749,832	4,844,829	4,941,726	5,040,560	45,075,073
<b>Total</b>			<b>50,309,390</b>	<b>51,734,556</b>	<b>53,395,524</b>	<b>55,154,135</b>	<b>56,995,983</b>	<b>58,135,902</b>	<b>59,298,620</b>	<b>60,484,593</b>	<b>61,694,285</b>	<b>62,928,170</b>	<b>570,131,158</b>
<b>NET INCOME</b>			<b>43,686,030</b>	<b>46,441,063</b>	<b>49,386,909</b>	<b>52,790,259</b>	<b>56,384,593</b>	<b>57,512,285</b>	<b>58,662,531</b>	<b>59,835,782</b>	<b>61,032,497</b>	<b>62,253,147</b>	<b>547,985,097</b>
<b>ADD: Reversion Value (Resale Value)</b>													815,732,690
<b>LESS: Marketing Cost</b>		0.00% of Resale Value											0
<b>Net Reversion Value</b>													815,732,690
Present Worth Factor @		9.78% discount rate	0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	0.39319
<b>Present Worth of Net Income</b>			<b>39,792,641</b>	<b>38,532,086</b>	<b>37,324,363</b>	<b>36,340,804</b>	<b>35,355,858</b>	<b>32,848,968</b>	<b>30,519,829</b>	<b>28,355,835</b>	<b>26,345,279</b>	<b>24,477,280</b>	<b>329,892,943</b>
<b>Present Worth of Net Reversion Value</b>													320,737,480
<b>Total Present Value of Net Income</b>													329,892,943
<b>Present Worth of Net Reversion Value</b>													320,737,480
<b>Total</b>													650,630,423
<b>Market Value of Property (building and its facilities)</b>		PhP											650,630,423
<b>Rounded to</b>		PhP											650,630,000

On the basis of the foregoing, the market value of the **Ayala North Exchange - Retail (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php650,630,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **AYALA NORTH EXCHANGE - SEDA**

Located at  
**No. 6796 Ayala Avenue corner Salcedo Street  
Legaspi Village, Makati City, Metro Manila**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-004**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **AYALA NORTH EXCHANGE - SEDA (building and its facilities)**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION FOUR HUNDRED FORTY-THREE MILLION FIFTY-SIX THOUSAND (Php1,443,056,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**

**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:asu

**CAI File No. 12-2024-1132-004**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-004**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located on the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided by the clients and as shown to us by the client's representative, the appraised property is the **AYALA NORTH EXCHANGE – SEDA**, located at **No. 6796, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, Metro Manila**.

The site of Ayala North Exchange is bounded by Amorsolo Street on the northwest, Ayala Avenue on the northeast and Salcedo Street on the southeast, it is located approximately 220-meter northwest from V. A. Rufino Street; 390 meters southwest from Ayala Avenue near PBCOM Tower; 680 meters northwest from the corner of Paseo De Roxas and Ayala Avenue near Tower One and Exchange Plaza; 1.08 kilometers northwest from Makati Avenue; and about 1.82 kilometers northwest from Epifanio Delos Santos Avenue near Ayala MRT Station.

Ayala Avenue, Amorsolo and Salcedo Streets are correspondingly 40, 12 and 12 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and an underground drainage, the former has a center island.

### **III. NEIGHBORHOOD DATA**

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and commercial condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Makati Medical Center  
Asian Institute of Management  
Ayala North Exchange Plaza  
RCBC Plaza – Yuchengco Tower  
GT Tower  
LKG Tower  
PBCOM Tower

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from Ayala Avenue by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

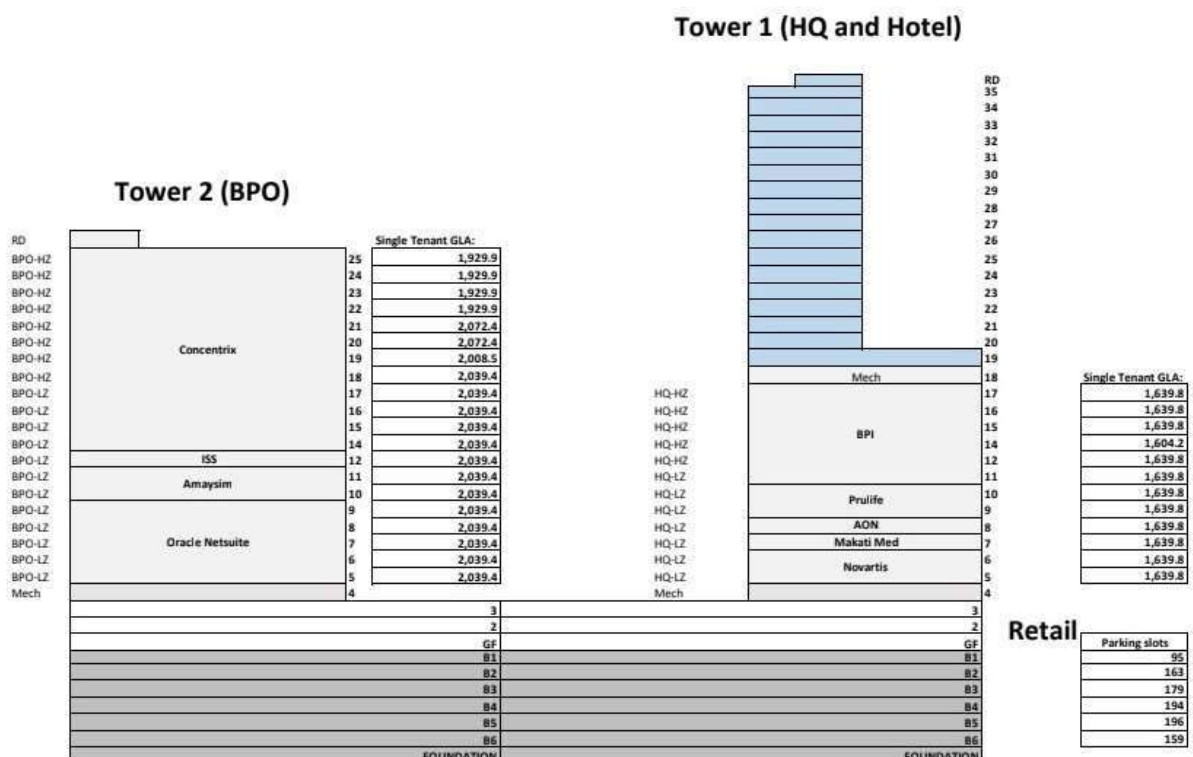
Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue which is approximately 270 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

**V. AYALA NORTH EXCHANGE****Ayala North Exchange**

This consists of two towers, designated as Towers 1 and 2 on top of a 3-level podium and 6-level basements. Tower 1 (HQ and Service Apartments) comprises offices from 5<sup>th</sup> to 17<sup>th</sup> floors and serviced apartments together with its other amenities and back of house area from the 18<sup>th</sup> to 35<sup>th</sup> floors. Tower 2 (BPO) comprises of BPO offices on the 5<sup>th</sup> to 25<sup>th</sup> floors, 4<sup>th</sup> and 18<sup>th</sup> floors of Towers 1 and 2 are machine rooms. The podium, ground to third floors are retail areas and the basements are used as parking.

This is reinforced concrete framed building having reinforced concrete slab roof deck; pre-cast concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

This is equipped with 100% back-up generators; a centralized chilled water system; 986 parking slots; high-speed, large-capacity elevators; multiple telecommunication providers; and an energy-efficient building management system, among other features. Total floor area is 120,090.25-square meter.

**Graphical Representation of Ayala North Exchange**

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate of Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php162,624,000 for service apartment in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 9.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
AYALA NORTH EXCHANGE - SEDA														
STATISTICS														
					Ave. Lease Rate on Yr. 1									
Gross Leasable Area	Service Apartment	26,034.00	sq.m.	-										
Discount Rate		9.78%												
Average Growth Rate		0.00%												
Terminal Capitalization Rate		9.78%												
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES	Escalation	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Service Apartments		-	-	-	-	-	-	-	-	-	-	-	-	
Parking Slots		-	-	-	-	-	-	-	-	-	-	-	-	
plus: Dues - Net		-	-	-	-	-	-	-	-	-	-	-	-	
Total Annual Revenues		-	-	-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)	of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)		162,624,000	162,624,000	162,624,000	162,624,000	162,624,000	162,624,000	162,624,000	162,624,000	162,624,000	162,624,000	162,624,000	1,626,240,000	162,624,000
LESS: OPERATING EXPENSES	Php(000)													
Direct Operating Expenses														
Outside services		-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance		-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous		-	-	-	-	-	-	-	-	-	-	-	-	-
Land lease		-	-	-	-	-	-	-	-	-	-	-	-	-
Building lease		-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses		5,856,458	5,856,458	5,856,458	5,856,458	5,856,458	6,061,434	6,273,584	6,493,159	6,720,420	6,955,635	7,186,520	61,786,520	6,955,635
Management fees		14,018,208	13,920,771	13,808,767	13,666,725	13,585,658	14,061,157	14,553,297	15,062,662	15,589,856	16,135,501	16,700,000	144,402,601	16,135,501
Insurance		-	-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-	-	-
		19,874,666	19,777,228	19,665,224	19,523,183	19,442,116	20,122,590	20,826,881	21,555,822	22,310,275	23,091,135	23,911,135	206,189,121	23,091,135
General Administrative Expenses		-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures		-	-	-	-	-	-	-	-	-	-	-	-	-
Total		19,874,666	19,777,228	19,665,224	19,523,183	19,442,116	20,122,590	20,826,881	21,555,822	22,310,275	23,091,135	23,911,135	206,189,121	23,091,135
NET INCOME		142,749,334	142,846,772	142,958,776	143,100,817	143,181,884	142,501,410	141,797,119	141,068,178	140,313,725	139,532,865	138,741,730	1,420,050,879	139,532,865
ADD: Reversion Value (Resale Value)														1,426,104,935
LESS: Marketing Cost	0.00% of Resale Value													0
Net Reversion Value														1,426,104,935
Present Worth Factor @	9.78% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
Present Worth of Net Income		130,027,219	118,519,770	108,041,691	98,510,575	89,781,942	81,391,728	73,771,515	66,851,404	60,567,802	54,862,849	49,729,401	882,326,495	
Present Worth of Net Reversion Value														560,729,401
Total Present Value of Net Income			882,326,495											
Present Worth of Net Reversion Value			560,729,401											
Total			1,443,055,896											
Market Value of Property (building and its facilities)	PhP		1,443,055,896											
Rounded to	PhP		1,443,056,000											

On the basis of the foregoing, the market value of the **Ayala North Exchange - Seda (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,443,056,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **MCKINLEY EXCHANGE CORPORATE CENTER**

Located at the corner of  
**EDSA and McKinley Road**  
**Barangay Dasmariñas, Makati City, Metro Manila**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-005**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us as by the **AREIT, INC.** for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is **McKinley Exchange Corporate Center (MECC) (building and its facilities)**, located at the corner of Epifanio de los Santos Avenue and McKinley Road, Barangay Dasmariñas, Makati City, Metro Manila.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of building and its facilities only, this report pertaining to the said item therefore, partakes the nature of a fractional appraisal and is rendered as such.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** using is reasonably represented in the amount of **ONE BILLION SIX HUNDRED SEVENTY-FIVE MILLION TWO HUNDRED FIFTY-FIVE THOUSAND (Php1,675,255,000) PESOS.**


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

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**

**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:asu

**CAI File No. 12-2024-1132-005**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 12-2024-1132-005

## NARRATIVE REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located in Barangay Dasmariñas, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

The appraised property is the **McKinley Exchange Corporate Center**, located **at the southeast corner of Epifanio de los Santos Avenue (EDSA) and McKinley Road, Barangay Dasmariñas, Makati City, Metro Manila**.

This is an office built to fit the unique requirements of IT and Business Process Outsourcing firms with an approximate Gross Leasable Area of 10,687.50 square meters. Companies can take advantage of this site's proximity to the Central Business District of Makati with direct access to major public transportation systems such as the MRT Station, bus and jeepney stops, taxi stands and shuttle terminals. Its choice of location gives your business excellent visibility to over 300,000 vehicles traversing EDSA daily.

Gross Leasable Area	No. of Floor	Typical Floor Plate	<u>Project Details</u>			
			Density	Parking	Elevators	Certification
10,687.50	5	2,500 sq.m.	5 sq.m.	1 slot per 70 sq.m.	3 Passenger 1 Service	PEZA

McKinley Exchange Corporate Center Building is approximately 240 meters southeast from the intersection of East Street and Ayala Avenue; 330 meters northwest from the intersection of McKinley Road and Bayanan Street; and about 360 meters northeast from the intersection of Antonio S. Arnaiz Avenue Extension and Epifanio de los Santos Avenue (EDSA).

EDSA and McKinley Road are 50 and 15 meters wide, respectively, asphalt-paved and provided with concrete curbs and gutters, and underground drainage system. Along the centerline of EDSA is the MRT Line 3.

### **III. NEIGHBORHOOD DATA**

The property is located in an area where land development is of mixed use, specifically residential, institutional and commercial.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 50 meters and lighted with mercury arc lamps.

Some of the important improvements in the vicinity are:

MRT Ayala Station  
Santuario de San Antonio Parish  
Shell Service Station  
Forbes Park Subdivision  
Dasmariñas Village

The various commercial establishments within nearby Ayala Center such as Glorietta, SM City-Makati and Greenbelt Center serve as the commercial and shopping centers in the area. These are short distance from the property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property by public transportation.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City as well as to other parts of Metro Manila is available along Epifanio de los Santos Avenue where the property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metro Manila Development Authority (MMDA).

### **V. MCKINLEY EXCHANGE CORPORATE CENTER**

This is a 5-storey reinforced concrete framed building having reinforced concrete slab roof deck; rib type galvanized iron sheet roof; fiber heat insulation, fiber cement board, and soffit slab ceilings; cement plastered concrete hollow block walls; fixed glass windows; glass on aluminum frame main entrance doors; plain cement and ceramic tile finished floors.

The building features TELUS Philippines Inc. in in the 2<sup>nd</sup> to the 5<sup>th</sup> Floor, commercial tenants in the ground floor, 120 parking slots in the basement upper, basement lower and basement 2 levels, respectively.

The improvements made by the tenants in their respective leased spaces were not included in this description. Reportedly, the building was constructed sometime in November 2014.

Total Floor Area is approximately 17,706.22 square meters, allocated as under:

Floor Level	Area (sq.m.)
Basement	6,228.63
Ground	2,085.35
2 <sup>nd</sup>	2,348.06
3 <sup>rd</sup>	2,348.06
4 <sup>th</sup>	2,348.06
5 <sup>th</sup>	<u>2,348.06</u>
<b>Total –</b>	<b>17,706.22 sq.m.</b>

## VI. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## VII. VALUATION

### By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php169,693,118 for office, retail and parking, including dues-net, considering prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 4.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 4% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capititation rate is estimated at 5.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
MCKINLEY EXCHANGE CORPORATE CENTER														
<b>STATISTICS</b>														
Gross Floor Area			17,706.22	sq.m.										
Gross Leasable Area	Office Space		9,633.32	sq.m.										
	Retails		1,054.18	sq.m.	Ave. Lease Rate on Yr. 1									
			10,687.50	sq.m.	-									
	Parking Slots		120	slots	-									
Discount Rate		9.78%												
Average Growth Rate		4.00%												
Terminal Capitalization Rate		5.78%												
Present Worth Factor				0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES			Escalation	-	5.14%	5.15%	5.15%	7.19%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	
Retails			-	-	-	-	-	-	-	-	-	-	-	
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	
plus: Dues - Net														
Total Annual Revenues			-	-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)	of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)			169,693,118	178,415,740	187,597,522	197,263,694	211,437,989	219,895,509	228,691,329	237,838,983	247,352,542	257,246,644	2,135,433,070	267,536,509
LESS: OPERATING EXPENSES	Php(000)													
Direct Operating Expenses														
Outside services		8,031,054	8,352,296	8,686,388	9,033,843	9,395,197	9,771,005	10,161,845	10,568,319	10,991,051	11,430,693	96,421,690	11,887,921	
Repairs and maintenance		8,107,250	8,431,540	8,768,802	9,119,554	9,484,336	9,863,710	10,258,258	10,668,588	11,095,332	11,539,145	97,336,516	12,000,711	
Miscellaneous		1,094,138	1,137,904	1,183,420	1,230,757	1,279,987	1,331,187	1,384,434	1,439,812	1,497,404	1,557,300	13,136,344	1,619,592	
Land lease		-	-	-	-	-	-	-	-	-	-	-	-	
Building lease		41,858,125	43,951,031	46,148,583	48,456,012	50,878,812	53,422,753	56,093,890	58,898,585	61,254,528	63,704,710	524,667,028	66,252,898	
Taxes and licenses		1,699,379	1,725,890	1,839,466	1,927,535	2,019,954	2,100,752	2,184,782	2,272,174	2,363,061	2,457,583	20,590,575	2,555,886	
Management fees		11,278,415	11,480,508	11,695,643	11,920,890	12,306,933	12,799,210	13,311,179	13,843,626	14,397,371	14,973,266	128,007,041	15,572,197	
Insurance		-	-	-	-	-	-	-	-	-	-	-	-	
Others		2,316,511	2,409,172	2,505,538	2,605,760	2,709,990	2,818,390	2,931,126	3,048,371	3,170,305	3,297,118	27,812,281	3,429,002	
		74,384,872	77,488,340	80,827,839	84,294,351	88,075,210	92,107,007	96,325,514	100,739,474	104,769,053	108,959,815	907,971,475	113,318,208	
General Administrative Expenses		322,649	335,555	348,977	362,936	377,454	392,552	408,254	424,584	441,567	459,230	3,873,758	477,599	
Capital Expenditures		5,484,494	5,767,726	6,066,020	6,380,220	6,871,100	7,145,944	7,431,782	7,729,053	8,038,215	8,359,744	69,274,296	8,694,133	
Total		80,192,015	83,591,621	87,242,836	91,037,507	95,323,764	99,645,502	104,165,550	108,893,111	113,248,835	117,778,789	981,119,530	122,489,940	
NET INCOME		89,501,103	94,824,119	100,354,685	106,226,188	116,114,226	120,250,007	124,525,780	128,945,872	134,103,707	139,467,855	1,154,313,541	145,046,569	
ADD: Reversion Value (Resale Value)													2,507,636,919	
LESS: Marketing Cost	0.00% of Resale Value												0	
Net Reversion Value													2,507,636,919	
Present Worth Factor @	9.78% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	0.39319	
Present Worth of Net Income		81,524,581	78,675,441	75,843,472	73,126,087	72,809,216	68,682,519	64,785,910	61,106,712	57,887,187	54,837,288	689,278,412		
Present Worth of Net Reversion Value													985,976,357	
Total Present Value of Net Income			689,278,412											
Present Worth of Net Reversion Value			985,976,357											
Total			1,675,254,770											
Market Value of Property (building and its facilities)	PhP		1,675,254,770											
Rounded to	PhP		1,675,255,000											

On the basis of the foregoing, the market value of McKinley Exchange Corporate Center (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **PhP1,675,255,000**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **TELEPERFORMANCE CEBU**

Located on  
**Inez Villa Street, Cebu IT Park**  
**Barangay Apas, Cebu City**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-006**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us as by the **AREIT, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **Teleperformance Cebu (building and its facilities)**, located **along Inez Villa Street, Cebu IT Park, Barangay Apas, Cebu City**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of building and its facilities only, this report pertaining to the said item therefore, partakes the nature of a fractional appraisal and is rendered as such.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** using is reasonably represented in the amount of **ONE BILLION NINE HUNDRED TWENTY-FIVE MILLION EIGHT HUNDRED EIGHTY-SEVEN THOUSAND (Php1,925,887,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:asu

CAI File No. 12-2024-1132-006

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-006**

## VALUATION REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located along Inez Villa Street, within Cebu IT Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the clients and as shown by the client's representative, the appraised property is the **TELEPERFORMANCE CEBU (formerly known as Aegis Towers 1 and 2)**, located **along Inez Villa Street with Cebu IT Park, Barangay Apas, Cebu City**.

The site of Teleperformance is bounded by Inez Villa Street on the southwest, San Miguel Street on the northwest and India Street on the northeast. It is located approximately 530-meter northeast from Salinas Drive; 320-meter northwest from Gov. M. Cuenco Avenue; 1.20-kilometer northwest from Ayala Center Cebu; 5.0-kilometer northeast from Cebu City Hall; and about 14.0-kilometer northwest from Mactan – Cebu International Airport.

Inez Villa, San Miguel and India Streets are correspondingly 25, 15 and 15 meters wide. These are concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, and underground drainage.

### III. NEIGHBORHOOD DATA

The Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with mercury arc lamps.

Some of the important improvements in Cebu IT Park are:

Avida Towers - Cebu  
Skyrise 1 to 3  
eBlock Towers 1 to 3  
Park Centrale  
Filinvest Cebu Cyberzone  
Calyx Centre  
TGU Tower

Ayala Center – Cebu and SM City – Cebu serve as the commercial and shopping centers in the area. These are accessible from the property by taxicab and motorcycle, locally known as habal-habal. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Cebu City as well as to other parts of Metro Cebu is available along Salinas Drive which is about 530-meter from the property. Street lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. TELEPERFORMANCE CEBU**

This consists of two (2) towers, Tower 1 is 12-storey, while Tower 2 is 12-storey with penthouse. Ground to the 4th floor are common to both towers. This is reinforced concrete framed building of roof deck having reinforced concrete slab roof deck; reinforced concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

The building is painted and provided with electrical lighting and plumbing facilities. Total floor area excluding parking areas is 18,108.16-square meter, allocated on the next page.

FLOOR	TOWER I	TOWER II	GADC	TOTAL
Ground	686.90	-	265.64	<b>952.54</b>
2nd	-	352.28	-	<b>352.28</b>
3rd	-	-	-	<b>0.00</b>
4th	-	-	-	<b>0.00</b>
5th	1,345.70	707.60	-	<b>2,053.30</b>
6th	1,345.70	707.60	-	<b>2,053.30</b>
7th	1,345.70	707.60	-	<b>2,053.30</b>
8th	1,345.70	707.60	-	<b>2,053.30</b>
9th	1,276.31	681.73	-	<b>1,958.04</b>
10th	1,316.30	738.46	-	<b>2,054.76</b>
11th	1,316.30	738.46	-	<b>2,054.76</b>
12th	1,279.72	680.76	-	<b>1,960.48</b>
Penthouse	-	401.90	-	<b>401.90</b>
Mezzanine	-	-	144.70	<b>144.70</b>
Al Fresco	-	-	15.50	<b>15.50</b>
<b>TOTAL</b>	<b>11,258.33</b>	<b>6,423.99</b>	<b>425.84</b>	<b>18,108.16</b>
<b>Parking Slots -</b>	<b>135</b>	<b>102</b>		<b>237</b>

Reportedly, this building was built year 2010.

Estimated remaining economic life of this building is 36 years.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties.

With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php195,638,697 for office including dues-net in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 2.50% per year;

4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital(WACC); and
7. Terminal capitation rate is estimated at 7.28% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
TELEPERFORMANCE CEBU														
STATISTICS														
Gross Leasable Area														
Office		18,092.66	sq.m.											
Discount Rate		9.78%												
Average Growth Rate		2.50%												
Terminal Capitalization Rate		7.28%												
Present Worth Factor				0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES			Escalation	-	2.23%	0.84%	3.42%	7.37%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Office Spaces				-	-	-	-	-	-	-	-	-	-	
				-	-	-	-	-	-	-	-	-	-	
plus: Dues - Net				-	-	-	-	-	-	-	-	-	-	
				-	-	-	-	-	-	-	-	-	-	
Total Annual Revenues				-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)		of gross revenues		-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)				195,638,697	199,998,637	201,686,265	208,575,825	223,958,223	229,557,178	235,296,108	241,178,510	247,207,973	253,388,173	2,236,485,589
LESS: OPERATING EXPENSES		Php(000)												
Direct Operating Expenses														
Outside services				-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance				797,361	829,255	862,426	896,923	932,800	956,120	980,023	1,004,523	1,029,636	1,055,377	9,344,444
Miscellaneous				-	-	-	-	-	-	-	-	-	-	-
Land lease				8,697,579	8,877,720	8,886,975	9,174,613	9,882,155	10,129,209	10,382,439	10,642,000	10,908,050	11,180,751	98,761,490
Building lease				-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses				24,530,860	24,598,703	24,654,389	24,691,938	24,777,500	25,396,938	26,031,861	26,682,658	27,349,724	28,033,467	256,748,039
Management fees				16,729,580	16,919,774	17,365,121	18,276,079	19,565,234	20,054,365	20,555,724	21,069,617	21,596,357	22,136,266	194,268,118
Insurance				477,374	496,469	516,328	536,981	558,460	572,421	586,732	601,400	616,435	631,846	5,594,446
Others				1,529,369	1,590,544	1,654,165	1,720,332	1,789,145	1,833,874	1,879,721	1,926,714	1,974,882	2,024,254	17,922,998
				52,762,122	53,312,465	53,939,404	55,296,865	57,505,294	58,942,926	60,416,500	61,926,912	63,475,085	65,061,962	582,639,535
General Administrative Expenses				545,568	567,391	590,087	613,690	638,238	654,194	670,548	687,312	704,495	722,107	6,393,630
Capital Expenditures				17,395,157	8,877,720	7,109,580	7,339,690	7,905,724	8,103,367	8,305,951	8,513,600	8,726,440	8,944,601	91,221,831
Total				70,702,848	62,757,576	61,639,070	63,250,245	66,049,256	67,700,487	69,392,999	71,127,824	72,906,020	74,728,670	680,254,995
NET INCOME				124,935,849	137,241,061	140,047,195	145,325,580	157,908,967	161,856,691	165,903,109	170,050,686	174,301,954	178,659,502	1,556,230,594
ADD: Reversion Value (Resale Value)														2,514,018,779
LESS: Marketing Cost		0.00% of Resale Value												0
Net Reversion Value														2,514,018,779
Present Worth Factor @		9.78% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	0.39319
Present Worth of Net Income				113,801,309	113,868,719	105,841,252	100,042,101	99,016,533	92,446,775	86,312,921	80,586,049	75,239,156	70,247,030	937,401,846
Present Worth of Net Reversion Value														988,485,637
Total Present Value of Net Income					937,401,846									
Present Worth of Net Reversion Value					988,485,637									
Total					1,925,887,483									
Market Value of Property (building and its facilities)			PhP		1,925,887,483									
Rounded to			PhP		1,925,887,000									

On the basis of the foregoing, the market value of Teleperformance Cebu (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **PhP1,925,887,000**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **THE 30<sup>th</sup> CORPORATE CENTER**

Located on  
**Meralco Avenue**  
**Barangay Ugong, Pasig City**  
**Metro Manila**

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-007**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the market value of the property intended for corporate use as of **31 December 2024**.

The appraised property is **THE 30<sup>th</sup> CORPORATE CENTER (building and its facilities)**, located at **No. 30, Meralco Avenue, within Barangay Ugong, Pasig City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** using is reasonably represented in the amount of **FOUR BILLION SIX HUNDRED FIFTY-FOUR MILLION SIX HUNDRED SEVENTY-FIVE THOUSAND (Php4,654,675,000) PESOS.**


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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:moa

**CAI File No. 12-2024-1132-007**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-007**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain real property located within Barangay Ugong, Pasig City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property is identified as **The 30<sup>th</sup> Corporate Center**, located at **No. 30, Meralco Avenue, Pasig City, Metro Manila**.

The property is located approximately 40 meters north from St. Paul Street; 350 meters south from Doña Julia Vargas Avenue; 700 meters northeast from Shaw Boulevard; and about 820 meters south from Ortigas Avenue.

Meralco Avenue is 25 meters wide, concrete-paved and provided with concrete curbs and gutters, center island, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in an area where land development is of mixed use, specifically residential, institutional and commercial.

Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 12 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

Department of Education (DEPED)  
The Alexandra  
St. Paul College - Pasig  
CW Home Depot  
Renaissance 3000  
Valle Verde

The property itself serves the shopping and commercial center in the area. This is accessible from Meralco Avenue by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Pasig City as well as to the other parts of Metro Manila is available along Meralco Avenue where the subject building fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. THE 30<sup>th</sup> CORPORATE CENTER**

This is a four (4) level reinforced concrete-framed building with three (3) basement parking, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing with water proofing membrane; fibered cement board, steel panel, aluminum panel and acoustic board on aluminum T-runner ceilings; cement plastered concrete hollow block partly with granite tile finish partly gypsum board with aluminum composite panel cladding interior walls; cement plastered concrete hollow block and aluminum composite panel exterior walls; cement plastered concrete hollow block and glass panel partitions; glass on aluminum powder coated windows; steel plate, wood panel, plywood flush, metal flush, frameless glass and glass on aluminum powder coated doors; granite, glazed, vinyl and ceramic tiles, and plain cement on epoxy paint finished concrete floors.

The building is painted and provided with electrical, plumbing and telecommunication facilities and equipped with one (1) passenger and two (2) elevators and firefighting equipment. Total floor area is approximately 69,273 square meters, allocated on the next page:

Floor Level	Area (sq.m.)
Basement 3	12,086
Basement 2	11,178
Basement 1	13,011
Lower Ground	10,434
Upper Ground	12,352
Second	6,596
Third	3,616
<b>Total - 69,273 sq.m.</b>	

Estimated remaining economic life is 33 years.

This mall stands on 20,000 square meters land.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and

therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php623,265,697 for office, retails and parking including dues-net in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 2.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitacion rate is estimated at 7.78% (discount rate less growth rate.

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.



**Cuervo Appraisers, Inc.**  
ASSET VALUATION SOLUTIONS

On the basis of the foregoing, the market value of THE 30<sup>th</sup> CORPORATE CENTER (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php4,654,675,000.**

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **Vertis North Towers 1, 2 and 3**

Located in  
**Barangay Pag-Asa**  
**Quezon City, Metro Manila**

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 24 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data, and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices, has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-008**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property consists of **buildings only (Vertis North Towers 1, 2, and 3)**, located **within Barangay Pag-asa, Quezon City, Metro Manila**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property, investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character, and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount as under:

<b>Vertis North Tower 1</b>	<b><u>Php6,595,447,000</u></b>
<b>Vertis North Tower 2</b>	<b><u>Php4,232,375,000</u></b>
<b>Vertis North Tower 3</b>	<b><u>Php5,691,392,000</u></b>

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoar

CMT:asu

**CAI File No. 12-2024-1132-008**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-008**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay Pag-asa, Quezon City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free, and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power, and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property is **identified as Vertis North Towers 1, 2, and 3**, located **along Luxe Drive, within Vertis North Complex, Barangay Pag-asa, Quezon City, Metro Manila**.

The property is located approximately 130 meters southwest from North Avenue; 150 meters northeast from Epifanio de los Santos Avenue (MRT 3 – North Avenue Station); and about 1.10 kilometers west from Quezon City Memorial Circle.

Lux Drive is 15 meters wide, concreted, and provided with concrete curbs and gutters, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in an area where land development is of mixed-use, specifically commercial, residential, and office condominiums.

Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 12 to 60 meters, and lighted with streetlamps.

Some of the improvements in the vicinity are:

Trinoma  
SM City North EDSA  
Seda Hotel  
Landmark  
Vivia Residences  
Eurotel – North EDSA

The Ayala Malls Vertis North serves as the shopping and commercial center in the area. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are accessible from Epifanio delos Santos Avenue by public transportation.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Quezon City, is available along Epifanio de los Santos Avenue (EDSA) which is about 150 meters from the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. DESCRIPTION OF THE SUBJECT BUILDINGS**

##### **Vertis North Towers 1, 2 and 3**

These are three (3) high-rise office buildings stacked on top of a retail mall, identified as Towers 1, 2, and 3.

Vertis North Towers 1, 2, and 3 offers grade-A office spaces. The building is painted and provided with electrical, plumbing, and telecommunication facilities, twelve (12) elevators, and firefighting equipment. The total floor area is approximately 157,455 square meters, allocated as follows:

<b>Tower Name</b>	<b>No. of Storeys</b>	<b>Gross Leasable Area</b>
Tower 1	19	43,156.16
Tower 2	20	42,351.85
Tower 3	20	39,636.46

#### **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### ***Income Approach***

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

#### ***Vertis North Tower 1***

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php678,097,805 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.46% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using the weighted average cost of capital (WACC); and
7. Terminal capititation rate is estimated at 7.33% (discount rate less growth)

Discounted Cash Flow Analysis (in PhP) VERTIS NORTH TOWER 1														
<b>STATISTICS</b>														
Estimated Leasable Area	43,156.16	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	7.33%													
Discount Rate	9.78%													
Present Worth Factor	0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319				
	<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>	
<b>GROSS REVENUES</b>	Escalation	-	4.67%	3.18%	3.73%	4.08%	2.38%	2.52%	2.38%	2.38%	2.39%			2.46%
Office Spaces		-	-	-	-	-	-	-	-	-	-			
Retails		-	-	-	-	-	-	-	-	-	-			
Parking Slots		-	-	-	-	-	-	-	-	-	-			
<b>PLUS:</b>														
Dues - Net		-	-	-	-	-	-	-	-	-	-			
<b>Total Annual Revenues</b>		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		678,097,805	709,764,966	732,346,390	759,675,045	790,640,550	809,452,438	829,879,574	849,643,814	869,902,160	890,666,964	7,920,069,708	912,552,358	
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services		16,071,439	16,714,296	17,382,868	18,078,183	18,801,310	19,271,343	19,753,127	20,246,955	20,753,129	21,271,957	-	-	-
Repairs and maintenance		24,056,437	25,018,695	26,019,442	27,060,220	28,142,629	28,846,195	29,567,350	30,306,533	31,064,197	31,840,802	-	-	-
Miscellaneous		5,081,257	5,284,508	5,495,888	5,715,723	5,944,352	6,092,961	6,245,285	6,401,417	6,561,453	6,725,489	-	-	-
Land lease		30,439,543	31,755,934	32,631,774	33,847,845	35,233,091	36,113,919	37,016,767	37,942,186	38,890,741	39,863,009	-	-	-
Building lease		-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses		68,238,791	69,285,983	70,097,482	71,845,996	72,563,030	74,377,106	76,236,533	78,142,447	80,096,008	82,098,408	-	-	-
Management fees		48,997,384	50,534,165	52,550,195	55,021,461	57,273,807	58,705,652	60,173,293	61,677,625	63,219,566	64,800,055	-	-	-
Insurance		2,760,000	2,870,400	2,985,216	3,104,625	3,228,810	3,309,530	3,392,268	3,477,075	3,564,002	3,653,102	-	-	-
Others		3,783,334	3,934,667	4,092,054	4,255,736	4,425,965	4,536,615	4,650,030	4,766,281	4,885,438	5,007,574	-	-	-
		199,428,185	205,398,648	211,254,919	218,929,789	225,612,995	231,253,320	237,034,653	242,960,519	249,034,532	255,260,396	2,276,167,957	261,532,632	
General Administrative Expenses		683,294	710,626	739,051	768,613	799,358	819,342	839,825	860,821	882,342	904,400	8,007,673	926,623	
Capital Expenditures		21,775,166	22,652,760	23,236,653	24,091,832	25,015,329	25,602,547	26,250,244	26,867,190	27,499,560	28,147,739	251,139,019	28,839,383	
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total</b>		221,886,645	228,762,034	235,230,624	243,790,234	251,427,682	257,675,209	264,124,722	270,688,530	277,416,433	284,312,534	2,535,314,648	291,298,638	
<b>NET INCOME</b>		456,211,159	481,002,932	497,115,767	515,884,811	539,212,868	551,777,229	565,754,852	578,955,284	592,485,726	606,354,430	5,384,755,059	621,253,720	
<b>ADD: Reversion Value (Resale Value)</b>													8,478,962,242	
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												0	
<b>Net Reversion Value</b>													8,478,962,242	
Present Worth Factor @	9.78% discount rate	0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319	
<b>Present Worth of Net Income</b>		415,552,681	399,087,470	375,697,315	355,135,003	338,112,457	315,155,493	294,340,199	274,363,604	255,752,303	238,412,159	3,261,608,685		
<b>Present Worth of Net Reversion Value</b>													3,333,838,421	
<b>Total Present Value of Net Income</b>													3,261,608,685	
<b>Present Worth of Net Reversion Value</b>													3,333,838,421	
<b>Total</b>													6,595,447,106	
<b>Market Value of Property (building and its facilities)</b>													6,595,447,106	
<b>Rounded to</b>													6,595,447,000	

**Vertis North Tower 2**

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php423,917,552 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.46% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.33% (discount rate less growth)

Discounted Cash Flow Analysis (in PhP) VERTIS NORTH TOWER 2														
<b>STATISTICS</b>														
Estimated Leasable Area	42,351.85	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	7.33%													
Discount Rate	9.78%													
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>		Escalation	-	8.91%	4.32%	4.61%	1.47%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.46%
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	
Retails			-	-	-	-	-	-	-	-	-	-	-	
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			423,917,552	461,700,902	481,660,831	503,889,141	511,321,362	524,104,396	537,207,006	550,637,181	564,403,110	578,513,188	5,137,354,668	592,728,365
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			16,808,084	17,480,408	18,179,624	18,906,809	19,663,081	20,154,658	20,658,525	21,174,988	21,704,362	22,246,971		
Repairs and maintenance			23,676,553	24,623,615	25,608,560	26,632,902	27,698,218	28,390,674	29,100,441	29,827,952	30,573,651	31,337,992		
Miscellaneous			5,067,153	5,269,839	5,480,632	5,699,858	5,927,852	6,076,048	6,227,950	6,383,648	6,543,239	6,706,820		
Land lease			18,920,737	20,875,497	21,735,693	22,720,698	22,800,803	23,370,823	23,955,094	24,553,971	25,167,821	25,797,016		
Building lease			-	-	-	-	-	-	-	-	-	-		
Taxes and licenses			24,840,058	27,521,153	28,455,528	29,040,583	29,678,439	30,420,400	31,180,910	31,960,433	32,759,444	33,578,430		
Management fees			33,036,526	35,015,038	35,582,185	36,306,918	38,071,150	39,022,928	39,998,502	40,998,464	42,023,426	43,074,011		
Insurance			2,760,000	2,870,400	2,985,216	3,104,625	3,228,810	3,309,530	3,392,268	3,477,075	3,564,002	3,653,102		
Others			3,670,118	3,816,923	3,969,600	4,128,384	4,293,519	4,400,857	4,510,879	4,623,651	4,739,242	4,857,723		
			128,779,230	137,472,873	141,997,039	146,540,776	151,361,873	155,145,920	159,024,568	163,000,182	167,075,187	171,252,066	1,521,649,714	175,460,058
General Administrative Expenses			586,417	609,874	634,269	659,639	686,025	703,176	720,755	738,774	757,243	776,174	6,872,345	795,246
Capital Expenditures			12,613,825	13,916,998	14,490,462	15,147,132	15,200,536	15,580,549	15,970,063	16,369,314	16,778,547	17,198,011	153,265,436	17,620,599
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			141,979,472	151,999,745	157,121,770	162,347,547	167,248,433	171,429,644	175,715,385	180,108,270	184,610,977	189,226,251	1,681,787,495	193,875,903
<b>NET INCOME</b>			281,938,080	309,701,158	324,539,060	341,541,593	344,072,928	352,674,751	361,491,620	370,528,911	379,792,134	389,286,937	3,455,567,173	398,852,463
<b>ADD: Reversion Value (Resale Value)</b>														5,443,597,138
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														5,443,597,138
Present Worth Factor @	9.78%	discount rate	0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
<b>Present Worth of Net Income</b>			256,811,178	256,958,624	245,271,749	235,117,166	215,750,309	201,435,252	188,070,001	175,591,535	163,941,018	153,063,513	2,092,010,346	
<b>Present Worth of Net Reversion Value</b>														2,140,364,913
<b>Total Present Value of Net Income</b>														2,092,010,346
<b>Present Worth of Net Reversion Value</b>														2,140,364,913
<b>Total</b>														4,232,375,259
<b>Market Value of Property (building and its facilities)</b>			PhP	4,232,375,259										
<b>Rounded to</b>			PhP	4,232,375,000										

**Vertis North Tower 3**

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php565,077,196 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.46% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.33% (discount rate less growth)

VERTIS 3														
<b>STATISTICS</b>														
Estimated Leasable Area		39,636.46	sq.m.											
Vacancy Rate (incl. bad debts)		-												
Terminal Capitalization Rate		7.33%												
Discount Rate		9.78%												
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>		Escalation	-	3.76%	3.39%	3.51%	3.65%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.46%
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	
Retails			-	-	-	-	-	-	-	-	-	-	-	
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			565,077,196	586,330,549	606,183,966	627,486,155	650,398,332	666,658,290	683,324,747	700,407,866	717,918,063	735,866,014	6,539,651,179	753,947,652
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			17,370,114	18,064,919	18,787,515	19,539,016	20,320,577	20,828,591	21,349,306	21,883,039	22,430,115	22,990,867	203,564,059	
Repairs and maintenance			19,530,716	20,311,944	21,124,422	21,969,399	22,848,175	23,419,379	24,004,864	24,604,985	25,220,110	25,850,613	228,884,606	
Miscellaneous			5,135,928	5,341,365	5,555,019	5,777,220	6,008,309	6,158,517	6,312,480	6,470,292	6,632,049	6,797,850	60,189,027	
Land lease			26,454,469	27,193,064	27,815,994	28,484,903	29,203,785	29,933,879	30,682,226	31,449,282	32,235,514	33,041,402	296,494,518	
Building lease			-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses			30,666,157	31,324,764	31,916,695	32,487,301	33,093,825	33,921,171	34,769,200	35,638,430	36,529,391	37,442,625	337,789,558	
Management fees			44,711,759	45,678,859	46,435,124	47,290,348	48,180,961	49,385,485	50,620,122	51,885,625	53,182,765	54,512,335	491,883,382	
Insurance			2,760,000	2,870,400	2,985,216	3,104,625	3,228,810	3,309,530	3,392,268	3,477,075	3,564,002	3,653,102	32,345,026	
<b>Others</b>			3,670,118	3,816,923	3,969,600	4,128,384	4,293,519	4,400,857	4,510,879	4,623,651	4,739,242	4,857,723	43,010,898	
			150,299,261	154,602,238	158,589,586	162,781,196	167,177,960	171,357,409	175,641,344	180,032,378	184,533,187	189,146,517	1,694,161,075	193,794,209
General Administrative Expenses			637,498	662,998	689,517	717,098	745,782	764,427	783,537	803,126	823,204	843,784	7,470,970	864,517
Capital Expenditures			17,636,313	18,128,709	18,543,996	18,989,935	19,469,190	19,955,920	20,454,818	20,966,188	21,490,343	22,027,601	197,663,012	22,568,862
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			168,573,071	173,393,945	177,823,099	182,488,230	187,392,932	192,077,755	196,879,699	201,801,691	206,846,733	212,017,902	1,899,295,056	217,227,588
<b>NET INCOME</b>			396,504,125	412,936,604	428,360,867	444,997,925	463,005,400	474,580,535	486,445,049	498,606,175	511,071,329	523,848,113	4,640,356,122	536,720,064
<b>ADD: Reversion Value (Resale Value)</b>														7,325,234,464
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														7,325,234,464
Present Worth Factor @	9.78% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
<b>Present Worth of Net Income</b>			361,166,861	342,612,932	323,735,513	306,336,485	290,326,701	271,063,492	253,078,400	236,286,620	220,608,976	205,971,546	2,811,187,526	
<b>Present Worth of Net Reversion Value</b>														2,880,204,841
<b>Total Present Value of Net Income</b>														2,811,187,526
<b>Present Worth of Net Reversion Value</b>														2,880,204,841
<b>Total</b>														5,691,392,366
<b>Market Value of Property (building and its facilities)</b>			PhP											5,691,392,366
<b>Rounded to</b>			PhP											5,691,392,000

On the basis of the foregoing, the market value of the property (buildings and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount as follows:

	<b>Market Value</b>
<b><i>Vertis North Tower 1</i></b>	<b><u><i>Php6,595,447,000</i></u></b>
<b><i>Vertis North Tower 2</i></b>	<b><u><i>Php4,232,375,000</i></u></b>
<b><i>Vertis North Tower 3</i></b>	<b><u><i>Php5,691,392,000</i></u></b>

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **ONE AND TWO EVOTECH BUILDINGS**

Located in  
**Barangay Sto. Domingo**  
**Sta. Rosa City, Laguna**

24 January 2025

**AREIT, INC.**

28<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 24 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices, has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

24 January 2025

**AREIT, INC.**

28<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-009**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property consists of **buildings and its facilities, One and Two Evotech Buildings, bounded by Taal Street and Evozone Avenue, within Barangay Sto. Domingo, Sta. Rosa City, Laguna.**

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character, and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **TWO BILLION NINE HUNDRED EIGHTY-FIVE MILLION NINE HUNDRED NINETY-SIX THOUSAND (Php2,985,996,000) PESOS**.

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,  
**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoar

CMT:roa

**CAI File No. 12-2024-1132-009**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 12-2024-1132-009

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain real property located within Barangay Sto. Domingo, Sta. Rosa City, Laguna. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property are the **One and Two Evotech Buildings**, bounded by **the Taal Street and Evozone Avenue**, located **within Barangay Sto. Domingo, Sta. Rosa City, Laguna**.

The property is located across Seda Nuvali Hotel and Solenad by Ayala Malls; approximately 400 meters southeast from Vista Mall – Sta. Rosa; 500 meters from The Sonoma; 960 meters southeast from the Paseo Outlets; and 1.80 kilometers northwest from the Sta. Elena Golf and Country Club.

Taal Street and Evozone Avenue are both 15 meters wide, respectively. Both are concrete paved and provided with concrete curbs and gutters, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in an area where land development is of mixed residential and commercial use.

Generally, the streets in the neighborhood are designed to accommodate light to medium vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 10 to 30 meters and lighted with street lamps.

Some of the improvements in the vicinity are --

Santarosa Estates  
Laguna Technopark  
Laguna Bel Air  
The Sonoma  
Valenza Crown Asia

Vista Mall - Sta. Rosa, Paseo Outlets, Nuvali, Ayala Mall Solenad and Landmark Sta. Rosa serve as the shopping and commercial centers in the area. These malls are accessible from Santa Rosa – Tagaytay Road by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Sta. Rosa City and its nearby towns is available along Santa Rosa - Tagaytay Road, approximately 250 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE SUBJECT BUILDINGS**

##### **One Evotech Building**

This is a four (4)-level reinforced concrete-framed building with roof deck, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing; gypsum board, fibered cement board, acoustic board on T-runner ceilings; cement plastered concrete hollow block walls; fibered cement board partitions; steel louver, frameless glass panel, steel grilles and glass on aluminum powder coated windows; ceramic tiles, glazed vinyl tiles, partly carpeted floor floors; and wood panel plywood flush, steel metal, frameless glass doors.

The building is painted and provided with electrical, plumbing and telecommunication facilities, two (2) passenger elevators and equipped with firefighting equipment. Total floor area is approximately 15,560 square meters, allocated as under:

<b>Floor Levels</b>	<b>Area (sq.m.)</b>
Ground	3,980
Second	3,980
Third	3,980
Fourth	<u>3,980</u>
<b>Total</b>	<b>15,560 sq.m.</b>

### Two Evotech Building

This is a five (5)-storey reinforced concrete-framed building with roof deck, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing; gypsum board, fibered cement board, acoustic board on T-runner ceilings; cement plastered concrete hollow block walls; fibered cement board partitions; steel louver, frameless glass panel, steel grilles and glass on aluminum powder coated windows; ceramic tiles, glazed vinyl tiles, partly carpeted floor floors; and wood panel plywood flush, steel metal, frameless glass doors.

The building is painted and provided with electrical, plumbing and telecommunication facilities, two (2) passenger elevators and equipped with firefighting equipment. Total floor area is approximately 13,580 square meters, allocated as under:

Floor Levels	Area (sq.m.)
Ground	2,716
Second	2,716
Third	2,716
Fourth	2,716
Fifth	<u>2,716</u>
<b>Total - 13,580 sq.m.</b>	

### VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

### VIII. VALUATION

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### ***Income Approach***

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php299,797,355 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.23% (discount rate less growth)

Discounted Cash Flow Analysis (in PhP) ONE AND TWO EVOTECH														
<b>STATISTICS</b>														
Estimated Leasable Area	23,726.81													
Vacancy Rate (incl. bad debts)	- (ave.)													
Terminal Capitalization Rate	7.28%													
Discount Rate	9.78%													
Present Worth Factor		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319			
<b>GROSS REVENUES</b>	<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>	
	Escalation	-	1.11%	-0.51%	1.23%	3.40%	2.50%	2.50%	2.50%	2.50%	2.50%		2.50%	
Office Spaces	-	-	-	-	-	-	-	-	-	-	-			
Retails	-	-	-	-	-	-	-	-	-	-	-			
Parking Slots	-	-	-	-	-	-	-	-	-	-	-			
<b>PLUS:</b>														
Dues - Net	-	-	-	-	-	-	-	-	-	-	-			
<b>Total Annual Revenues</b>		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>		<b>299,797,355</b>	<b>303,138,272</b>	<b>301,599,768</b>	<b>305,320,989</b>	<b>315,690,601</b>	<b>323,582,866</b>	<b>331,672,438</b>	<b>339,964,249</b>	<b>348,463,355</b>	<b>357,174,939</b>	<b>3,226,404,834</b>	<b>366,104,313</b>	
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services	9,707,708	10,096,017	10,499,857	10,919,852	11,356,646	11,640,562	11,931,576	12,229,865	12,535,612	12,849,002	100,917,696			
Repairs and maintenance	12,277,808	12,768,920	13,279,677	13,810,864	14,363,298	14,722,381	15,090,440	15,467,701	15,854,394	16,250,754	127,635,483			
Miscellaneous	1,729,642	1,798,827	1,870,780	1,945,612	2,023,436	2,074,022	2,125,873	2,179,019	2,233,495	2,289,332	17,980,706			
Land lease	-	-	-	-	-	-	-	-	-	-	-			
Building lease	-	-	-	-	-	-	-	-	-	-	-			
Taxes and licenses	14,474,377	14,508,095	14,616,535	14,656,623	14,775,473	15,144,860	15,523,481	15,911,568	16,309,357	16,717,091	135,920,368			
Management fees	21,298,764	21,354,729	21,379,823	21,730,977	22,429,193	22,989,923	23,564,671	24,153,788	24,757,633	25,376,573	203,659,502			
Insurance	1,553,265	1,615,395	1,680,011	1,747,212	1,817,100	1,862,527	1,909,091	1,956,818	2,005,738	2,055,882	16,147,157			
Others	773,907	804,864	837,058	870,540	905,362	927,996	951,196	974,976	999,350	1,024,334	8,045,250			
	61,815,471	62,946,847	64,163,741	65,681,679	67,670,508	69,362,271	71,096,328	72,873,736	74,695,579	76,562,969	610,306,161			<b>78,477,043</b>
General Administrative Expenses	1,068,387	1,111,122	1,155,567	1,201,790	1,249,862	1,281,108	1,313,136	1,345,964	1,379,613	1,414,104	11,106,550			1,449,456
Capital Expenditures	7,533,996	7,657,917	7,832,672	7,978,056	8,293,257	8,500,589	8,713,103	8,930,931	9,154,204	9,383,059	74,594,726			9,617,636
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0			0
<b>Total</b>		<b>70,417,854</b>	<b>71,715,886</b>	<b>73,151,980</b>	<b>74,861,526</b>	<b>77,213,627</b>	<b>79,143,968</b>	<b>81,122,567</b>	<b>83,150,631</b>	<b>85,229,397</b>	<b>87,360,132</b>	<b>696,007,438</b>	<b>89,544,135</b>	
<b>NET INCOME</b>		<b>229,379,502</b>	<b>231,422,385</b>	<b>228,447,787</b>	<b>230,459,464</b>	<b>238,476,974</b>	<b>244,438,898</b>	<b>250,549,871</b>	<b>256,813,618</b>	<b>263,233,958</b>	<b>269,814,807</b>	<b>2,443,037,264</b>	<b>276,560,177</b>	
<b>ADD: Reversion Value (Resale Value)</b>														3,796,716,560
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														3,796,716,560
Present Worth Factor @ 9.78% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319	
<b>Present Worth of Net Income</b>		<b>208,936,728</b>	<b>192,010,834</b>	<b>172,650,369</b>	<b>158,648,250</b>	<b>149,536,556</b>	<b>139,614,789</b>	<b>130,351,333</b>	<b>121,702,507</b>	<b>113,627,532</b>	<b>106,088,333</b>	<b>1,493,167,232</b>		
<b>Present Worth of Net Reversion Value</b>														1,492,828,860
<b>Total Present Value of Net Income</b>														1,493,167,232
<b>Present Worth of Net Reversion Value</b>														1,492,828,860
<b>Total</b>														2,985,996,092
<b>Market Value of Property (building and its facilities)</b>	PhP													2,985,996,092
<b>Rounded to</b>	PhP													2,985,996,000

On the basis of the foregoing, the market value of the property (building only) using the Discounted Cash Flow Analysis, is represented in the amount of **Php2,985,996,000.**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **AYALA NORTH POINT – TECHNOHUB**

Located at  
**Barangay XVIII, Zone 15**  
**Talisay City, Negros Occidental**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-010**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us as by the **AREIT, INC..** for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **AYALA NORTH POINT TECHNOHUB (building and its facilities)** located **along Bacolod North Road (National Highway), within Barangay XVIII, Zone 15, Talisay City, Negros Occidental**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In market value appraisal of any fixed land improvements, the land where the said improvements stand should be included to satisfy its definition. Being an appraisal of building and its facilities only, this report pertaining to the said item therefore, partakes the nature of a fractional appraisal and is rendered as such.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** using is reasonably represented in the amount of **TWO HUNDRED NINE MILLION ONE HUNDRED SIX THOUSAND (Php209,106,000) PESOS.**


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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**  
PRC Registration Number: 0000407  
Valid Until: 05/10/2026  
IPREA Membership No. 1024  
PTR No. 3346304  
10 January 2025  
City of Malolos

AVS:asu

CAI File No. 12-2024-1132-010

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-010**

## VALUATION REPORT

### **I. GENERAL**

This report covers an appraisal of a certain real property located within Barangay XVIII, Zone 15, Talisay City, Negros Occidental. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the property is **The District – North Point (Ayala Malls)**, located **on the east side of Bacolod North Road (National Highway), within Barangay XVIII, Zone 15, Talisay City, Negros Occidental**.

The property is located across Phoenix Gas Service Station; approximately 380 meters northeast from DPWH 1<sup>st</sup> Engineering District Office; 550 meters northeast of Wilcon Depot-Talisay; 680 meters northeast from Ford Negros; and about 1.60 kilometers north from New Ceres North Terminal.

Bacolod North Road (National Highway) is 40 meters wide concrete-paved and provided with concrete curbs and gutters, center island, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The property is located in an area where land development is of mixed use, specifically residential, institutional and commercial.

Generally, the roads in the neighborhood are designed to accommodate light to moderate vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 20 to 40 meters and lighted with street lamps.

Some of the important improvements in the vicinity are:

Ayala North Point Subdivision  
Town and Country Subdivision  
La Costa Brava Subdivision  
New Ceres North Terminal  
Pepsi Cola Plant - Bacolod  
Trafalgar Square

The subject property and Talisay Public Market serve as the shopping and marketing needs of the residents in the area. These are accessible from Bacolod North Road (National Highway) by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Talisay City is available along Bacolod North Road (National Highway) where the subject property fronts. Road lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. AYALA NORTH POINT TECHNOHUB**

**Ayala North Point Technohub stands on 35,375-square meter land and the buildings thereon are described as follows:**

Ayala North Point Technohub is a two-story PEZA- certified Technohub located beside the Ayala North Point development in the City of Smiles, Bacolod City. Building amenities include large floor plates of approximately 2,596 square meters, a roomy density ratio of 5 square meters per person, and round-the- clock utilities and building services ideal for the needs of BPO firms and employees. The campus has a Gross Leasable Area of 4,183 square meters, with more amenities that include 100% back up power, two major telecommunication lines, and easily accessible retail stores. Highly secured and easily accessible through public transport, the structure will be registered with PEZA and is now ready for occupancy.

Estimated remaining economic life is 27 years.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at **Php30,385,028** for office including dues net in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue **is estimated at 2.0%** per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is **4.0%** per year of effective gross revenue;
6. Discount rate is estimated **at 9.78%** using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at **7.78%** (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)																
AYALA NORTH POINT TECHNOHUB																
STATISTICS																

On the basis of the foregoing, the market value of the AYALA NORTH POINT TECHNOHUB (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php209,106,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **BACOLOD CAPITOL CORPORATE CENTER**

Located in  
**Barangay 8, Bacolod City**  
**Negros Occidental**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2017 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-011**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us as by the **AREIT, INC.** for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **BACOLOD CAPITOL CORPORATE CENTER (building and its facilities)**, located in **Barangay 8, Bacolod City, Negros Occidental**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **SEVEN HUNDRED SIXTY-EIGHT MILLION SIX HUNDRED EIGHTY-FIVE THOUSAND (Php768,685,000) PESOS.**


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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**  
PRC Registration Number: 0000407  
Valid Until: 05/10/2026  
IPREA Membership No. 1024  
PTR No. 3346304  
10 January 2025  
City of Malolos

AVS:asu

CAI File No. 12-2024-1132-011

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-011**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain real property located at the corner of Ayala Avenue and Salcedo Street, within Legaspi Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the property is the **Bacolod Capitol Corporate Center**, located **on a block bounded by Gatuslao and San Juan Streets, and North and South Capitol Roads, within Barangay 8, Bacolod City, Negros Occidental**.

The site of Ayala Malls Capitol Central Bacolod is located on the northwest side of Gatuslao Street across Negros Occidental Provincial Capital approximately 60 meters north Negros Museum; 180 meters north of Land Bank-Bacolod; 320 meters north from 888 Chinatown Square Mall; 800 meters northeast from Bacolod Public Plaza and about 1.20 kilometers northeast from SM City Bacolod.

Gatuslao and San Juan Streets are 12-meter wide, while North and South Capitol Roads are both 15 meters wide. These are all concrete paved and provided with concrete curbs and gutters, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in an area where land development is of mixed use, specifically residential, institutional and commercial.

Generally, the roads in the neighborhood are designed to accommodate light to moderate vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 20 to 40 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Negros Occidental Provincial Capitol  
The Negros Museum  
Hall of Justice – Bacolod City  
Seda Hotel Bacolod  
Capitol Park and Lagoon  
Amaia Steps Capitol Central

The subject property, SM City Bacolod, 888 Chinatown Square Mall and Robinson's Mall Bacolod serve as the shopping and commercial centers in the area. These malls are accessible from Gatuslao Street and Lacson Street (National Highway) by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfares.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Bacolod City is available along Lacson Street (National Highway) which is approximately 260 meters from the subject property. Road lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. BACOLOD CAPITOL CORPORATE CENTER**

This is a six (6)-storey, reinforced concrete-framed building with roof deck parking, having reinforced concrete slab roof with water proofing membrane and partly pre-painted rib type long span iron sheet roof on steel frames; acoustic board on aluminum T-runner frame, fibered cement board, steel panel and exposed slab ceilings; cement plastered concrete hollow blocks, glass on powder coated aluminum frame, and clear glass view walls; cement plastered concrete hollow blocks partitions; metal exits, steel plate, wood panel, glass on powder coated aluminum frame, automatic frameless glass, swing glass, steel roll-up, and steel doors; iron grill and stainless steel railings; granite tile finish floor to walls at comfort rooms; and granite tile and ceramic tile finished concrete floors.

The building features retail shops of bare condition having concrete slab floor, fibered cement board on metal furring ceilings; cement plastered concrete hollow block walls; cement plastered concrete hollow block and gypsum board partitions; clear glass on aluminum frame windows; automatic frameless glass, wood panel and glass on aluminum frame doors; laminated wood plank, granite/glazed, ceramic tiles and epoxy paint finished concrete floors; and granite tile wall to floor at comfort rooms.

This is painted and provided with firefighting and alarm system, centralized air conditioning, cctv cameras, water supply system, underground cistern, air wells, escalators, five (5) elevators, electrical, plumbing and telecommunication facilities. Total floor area is approximately 151,990 square meters, allocated as follows:

Floor Level	Area (sq.m.)
Ground	20,405
First	23,018
Second	24,062
Third	22,592
Fourth	22,083
Fifth	18,669
Sixth	11,662
Roofdeck / Parking	<u>9,500</u>
<b>Total - 151,990 sq. m.</b>	

Estimated remaining economic life is 38 years.

This building stands on a 33,845 square meters lot.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

The estimate of Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

## Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;

2. The total projected effective gross revenue on year 1 is estimated at Php92,413,144 for office and parking rentals, including dues-net in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 3.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.



**Cuervo Appraisers, Inc.®**  
ASSET VALUATION SOLUTIONS

On the basis of the foregoing, the market value of the **BACOLOD CAPITOL CORPORATE CENTER (building and its facilities)** using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php768,685,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us as owned by the  
***AREIT, INC.***

### **EBLOC 1 - CEBU IT PARK**

Located in  
**Cebu IT Park**  
**Barangay Lahug, Cebu City**

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 24 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Iloilo and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTAD SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

24 January 2024

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-012**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain property exhibited to us of the property intended for corporate use as of **31 December 2024**.

The appraised property is the site of **JP MORGAN CHASE & COMPANY – Cebu IT Park**, located **along Jose Maria del Mar Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **TWO BILLION TWO MILLION NINE HUNDRED SEVENTY-FIVE THOUSAND (Php2,002,975,000) PESOS**.

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoar

CMT:asu

**CAI File No. 12-2024-1132-012**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-012**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Cebu IT Park, Barangay Lahug, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free, and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power, and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property is identified as the site of the **JP MORGAN CHASE & COMPANY – Cebu IT Park**, located **on the southeast side of Jose Maria del Mar Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The site of JP Morgan Chase and Company is located across Eblock 4 and Avida Towers Riala, approximately 90 meters northwest from Governor M. Cuenco Avenue; and about 600 meters northeast from Salinas Drive.

Jose Maria del Mar Street is 25 meters wide, concrete-paved, and provided with concrete sidewalks, concrete curbs and gutters, center island, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the Information Technology Services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to medium vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

Avida Towers - Cebu  
Skyrise 1 to 3  
eBlock Towers 2 to 4  
Park Centrale  
Filinvest Cebu Cyberzone  
Calyx Centre  
TGU Tower  
Ayala Central Block Mall

Ayala Central Block Mall – Cebu and SM City – Cebu serve the commercial, shopping and marketing needs of the residents in the area. These are accessible from the subject property by taxicabs and hired motorcycles (locally known as habal-habal). Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Cebu City, as well as to other parts of Cebu Province, is available along Salinas Drive which is approximately 600 meters from the subject building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE SUBJECT BUILDING**

##### **JP Morgan Chase & Company Building (EBLOC 1)**

This is a 12-storey reinforced concrete-framed building with roof deck having reinforced concrete slab roof deck; reinforced concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring and concrete slab soffit ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; awning glass on aluminum frame and glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

The building is painted and provided with electrical lighting and plumbing facilities. Total floor area is approximately 20,841.90 square meters.

Reportedly, this building was built in the year 2008.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing office/commercial building utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php207,316,406 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.28% (discount rate less growth rate).

Discounted Cash Flow Analysis (in PhP)														
EBLOC 1														
<b>STATISTICS</b>														
Estimated Leasable Area	20,841.90	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	7.28%													
Discount Rate	9.78%													
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>														
		Escalation												
Office Spaces														
Retails														
Parking Slots														
<b>PLUS:</b>														
Dues - Net														
<b>Total Annual Revenues</b>														
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues													
<b>Effective Gross Revenues (EGR)</b>			207,316,406	218,070,763	228,330,086	240,809,722	249,350,769	255,584,539	261,974,152	268,523,506	275,236,593	282,117,508	2,487,314,045	289,170,446
<i>Escalation of EGR</i>			-	5.19%	4.70%	5.47%	3.55%	2.50%	2.50%	2.50%	2.50%	2.50%		2.50%
<b>LESS: OPERATING EXPENSES</b>														
<b>Direct Operating Expenses</b>														
Outside services			10,958,400	11,396,736	11,852,605	12,326,710	12,819,778	13,140,272	13,468,779	13,805,499	14,150,636	14,504,402	128,423,818	
Repairs and maintenance			13,867,320	14,422,013	14,998,893	15,598,849	16,222,803	16,628,373	17,044,082	17,470,184	17,906,939	18,354,613	162,514,070	
Miscellaneous			1,279,200	1,330,368	1,383,583	1,438,926	1,496,483	1,533,895	1,572,243	1,611,549	1,651,837	1,693,133	14,991,217	
Land lease			15,485,304	16,206,371	16,863,933	17,699,683	18,266,470	18,723,132	19,191,210	19,670,991	20,162,766	20,666,835	182,936,696	
Building lease			-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses			4,421,785	4,576,837	4,936,168	5,405,506	6,069,053	6,220,779	6,376,299	6,535,706	6,699,099	6,866,576	58,107,806	
Management fees			16,122,325	16,675,796	17,162,281	17,803,065	18,666,415	19,133,075	19,611,402	20,101,687	20,604,229	21,119,335	186,999,610	
Insurance			-	-	-	-	-	-	-	-	-	-	-	
<b>Others</b>			3,219,508	3,348,288	3,482,220	3,621,509	3,766,369	3,860,528	3,957,041	4,055,967	4,157,367	4,261,301	37,730,097	
			65,353,843	67,956,409	70,679,683	73,894,247	77,307,371	79,240,055	81,221,057	83,251,583	85,332,873	87,466,194	771,703,314	89,652,849
General Administrative Expenses			748,800	778,752	809,902	842,298	875,990	897,890	920,337	943,346	966,929	991,102	8,775,346	1,015,880
Capital Expenditures			6,882,357	7,202,832	7,495,081	7,866,526	8,118,431	8,321,392	8,529,427	8,742,663	8,961,229	9,185,260	81,305,198	9,414,891
Marketing Expenses	0.00%	of gross revenues	0	1	2	3	4	5	6	7	8	9	45	0
<b>Total</b>			72,985,000	75,937,994	78,984,669	82,603,074	86,301,796	88,459,342	90,670,827	92,937,598	95,261,039	97,642,566	861,783,904	100,083,621
<b>NET INCOME</b>			134,331,406	142,132,769	149,345,418	158,206,648	163,048,973	167,125,196	171,303,325	175,585,908	179,975,555	184,474,943	1,625,530,141	189,086,825
<b>ADD: Reversion Value (Resale Value)</b>														2,595,851,251
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														2,595,851,251
Present Worth Factor @	9.78%	discount rate	0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
<b>Present Worth of Net Income</b>			122,359,515	117,927,363	112,868,423	108,909,425	102,239,564	95,455,958	89,122,444	83,209,159	77,688,222	72,533,600	982,313,672	
<b>Present Worth of Net Reversion Value</b>														1,020,661,301
<b>Total Present Value of Net Income</b>														
<b>Present Worth of Net Reversion Value</b>														
<b>Total</b>														
<b>Market Value of Property (building and its facilities)</b>			PhP	2,002,974,973										
<b>Rounded to</b>			PhP	2,002,975,000										

On the Basis of the foregoing, the market value of the property using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,002,975,000.**

## **MARKET VALUE APPRAISAL**

Property exhibited to us as owned by the  
***AREIT, INC.***

### **EBLOC 2 - CEBU IT PARK**

Located in  
**Cebu IT Park**  
**Barangay Lahug, Cebu City**

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-013**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us as owned by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is identified as the site of **Ebloc 2 – Cebu IT Park**, located **along W. Geonzon Street and extending to V. Padriga Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **TWO BILLION SEVEN HUNDRED THIRTY-TWO MILLION SEVEN HUNDRED EIGHTY-SIX THOUSAND (Php2,732,786,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoar

CMT:asu

CAI File No. 12-2024-1132-013

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-013**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of certain real property located within Cebu IT Park, Barangay Lahug, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

Based on the documents provided to us by the client, the appraised property is identified as the site of **Ebloc 2 Building – Cebu IT Park**, located **on the northwest side of W. Geonzon Street extending to the southwest side of V. Padriga Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The property is located approximately 180 meters southwest from I. Villa Street, 200 meters northwest from J.M. del Mar Street; 350 meters northeast from Salinas Drive; and about 750 meters northwest from Governor M. Cuenco Avenue.

W. Geonzon Street is 25 meters wide, while Padriga Street is 20 meters wide. Both roads are concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, center island and underground drainage.

### **III. NEIGHBORHOOD DATA**

Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to medium vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

- Avida Towers - Cebu
- Skyrise 1 to 3
- eBloc Towers 1 to 4
- Park Centrale
- Filinvest Cebu Cyberzone
- Calyx Centre
- TGU Tower
- Ayala Central Block Mall

Ayala Central Block Mall – Cebu and SM City – Cebu serve the shopping and marketing needs of the residents in the area. These are accessible from the subject property by taxicabs and hired motorcycles (locally known as habal-habal). Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Cebu City as well as to other parts of Cebu Province, is available along Salinas Drive which is approximately 350 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE SUBJECT BUILDING**

##### **Ebloc 2 Building**

This is an eighteen (18)-storey reinforced concrete-framed building with roof deck having reinforced concrete slab floors and roof deck; reinforced concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring, gypsum board and acoustic board on aluminum T-runner ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; awning glass on aluminum frame and glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

The building is painted and provided with electrical lighting and plumbing facilities. Total floor area including parking areas is approximately 34,762 square meters.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing office/commercial building utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php304,879,090 including dues-net;
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.28% (discount rate less growth rate).

Discounted Cash Flow Analysis (in PhP) EBLOC 2														
<b>STATISTICS</b>														
Estimated Leasable Area	27,727.33	sq.m.												
Vacancy Rate (incl. bad debts)														
Terminal Capitalization Rate	7.28419%													
Discount Rate	9.78419%													
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
<b>GROSS REVENUES</b>			Escalation -		1.79%	-3.53%	0.14%	4.51%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Office Spaces			-	-	-	-	-	-	-	-	-	-	-	
Retails			-	-	-	-	-	-	-	-	-	-	-	
Parking Slots			-	-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-	-	
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>304,879,090</b>	<b>310,342,657</b>	<b>299,399,077</b>	<b>299,821,706</b>	<b>313,331,209</b>	<b>321,164,490</b>	<b>329,193,602</b>	<b>337,423,442</b>	<b>345,859,028</b>	<b>354,505,504</b>	<b>3,215,919,805</b>	<b>363,368,141</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			9,195,600	9,563,424	9,945,961	10,343,799	10,757,551	11,026,490	11,302,152	11,584,706	11,874,324	12,171,182		
Repairs and maintenance			15,631,200	16,256,448	16,906,706	17,582,974	18,286,293	18,743,450	19,212,037	19,692,338	20,184,646	20,689,262		
Miscellaneous			1,758,000	1,828,320	1,901,453	1,977,511	2,056,611	2,108,027	2,160,727	2,214,745	2,270,114	2,326,867		
Land lease			19,315,546	19,771,526	19,939,831	20,730,440	21,629,393	22,170,128	22,724,381	23,292,491	23,874,803	24,471,673		
Building lease			-	-	-	-	-	-	-	-	-	-		
Taxes and licenses			6,157,275	6,194,013	6,287,055	6,217,536	6,263,294	6,419,876	6,580,373	6,744,882	6,913,504	7,086,342		
Management fees			22,741,146	22,878,360	22,482,875	22,685,664	23,601,703	24,191,746	24,796,540	25,416,453	26,051,865	26,703,161		
Insurance			-	-	-	-	-	-	-	-	-	-		
Others			2,841,890	2,955,566	3,073,788	3,196,740	3,324,609	3,407,725	3,492,918	3,580,241	3,669,747	3,761,490		
			77,640,657	79,447,656	80,537,669	82,734,663	85,919,456	88,067,442	90,269,128	92,525,856	94,839,003	97,209,978		99,640,227
General Administrative Expenses			748,800	778,752	809,902	842,298	875,990	897,890	920,337	943,346	966,929	991,102		1,015,880
Capital Expenditures			8,584,687	8,787,345	8,862,147	9,213,529	9,613,064	9,853,390	10,099,725	10,352,218	10,611,024	10,876,299		11,148,207
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0		0
<b>Total</b>			<b>86,974,144</b>	<b>89,013,753</b>	<b>90,209,718</b>	<b>92,790,490</b>	<b>96,408,509</b>	<b>98,818,722</b>	<b>101,289,190</b>	<b>103,821,420</b>	<b>106,416,956</b>	<b>109,077,379</b>	<b>974,820,282</b>	<b>111,804,314</b>
<b>NET INCOME</b>			<b>217,904,946</b>	<b>221,328,904</b>	<b>209,189,359</b>	<b>207,031,216</b>	<b>216,922,700</b>	<b>222,345,767</b>	<b>227,904,412</b>	<b>233,602,022</b>	<b>239,442,072</b>	<b>245,428,124</b>	<b>2,241,099,523</b>	<b>251,563,827</b>
<b>ADD: Reversion Value (Resale Value)</b>														3,453,557,774
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														3,453,557,774
Present Worth Factor @	9.78419% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
<b>Present Worth of Net Income</b>			<b>198,484,808</b>	<b>183,636,287</b>	<b>158,095,731</b>	<b>142,520,249</b>	<b>136,020,988</b>	<b>126,995,980</b>	<b>118,569,783</b>	<b>110,702,665</b>	<b>103,357,530</b>	<b>96,499,747</b>	<b>1,374,883,768</b>	
<b>Present Worth of Net Reversion Value</b>														1,357,902,449
<b>Total Present Value of Net Income</b>														1,374,883,768
<b>Present Worth of Net Reversion Value</b>														1,357,902,449
<b>Total</b>														2,732,786,217
<b>Market Value of Property (building and its facilities)</b>														PhP 2,732,786,217
<b>Rounded to</b>														PhP 2,732,786,000

On the basis of the foregoing, the market value of Ebloc 2 (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,732,786,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us as owned by the  
***AREIT, INC.***

### **EBLOC 3 - CEBU IT PARK**

Located in  
**Cebu IT Park**  
**Barangay Lahug, Cebu City**

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-014**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us as owned by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the site of **Ebloc 3 Building – Cebu IT Park**, located along **V. Padriga Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION THREE HUNDRED SEVEN MILLION FOURTEEN THOUSAND (Php1,307,014,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoor

CMT:asu

**CAI File No. 12-2024-1132-014**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-014**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Cebu IT Park, Barangay Lahug, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property is identified as the **Ebloc 3 Building – Cebu IT Park**, located **on the southwest side of V. Padriga Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The property is located across Ebloc 2, approximately 180 meters northwest from W. Geonzon Street; 360 meters southwest from I. Villa Street; 380 meters northwest from J.M. del Mar Street; and about 530 meters northeast from Salinas Drive.

V. Padriga Street is 20 meters wide, concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, center island and underground drainage.

### ***III. NEIGHBORHOOD DATA***

Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the Information Technology Services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to medium vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

Avida Towers - Cebu  
Skyrise 1 to 3  
eBloc Towers 1 to 4  
Park Centrale  
Filinvest Cebu Cyberzone  
Calyx Centre  
TGU Tower  
Ayala Central Block Mall  
Garden Bloc

Ayala Central Block Mall – Cebu and SM City – Cebu serve the shopping and marketing needs of the residents in the area. These are accessible from the subject property by taxicabs and hired motorcycles (locally known as habal-habal). Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Cebu City as well as to other parts of Cebu Province is available along Salinas Drive which is approximately 530 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE SUBJECT BUILDING**

##### **Ebloc 3 Building**

This is a 13-storey reinforced concrete-framed building with roof deck having reinforced concrete slab roof deck; reinforced concrete partly with aluminum composite panel and glass on anodized aluminum frame walls; fibered cement board on metal furring, gypsum board and acoustic board on aluminum t-runner ceilings; concrete hollow block, glass on anodized aluminum frame and fibered cement board on steel stud partitions; ceramic and granite tiles, carpet and plain cement floor finishes; awning glass on aluminum frame and glass panel on anodized aluminum frame windows; and full glass, glass on anodized aluminum frame, insulated steel plate, plywood and laminated wood doors.

The building is painted and provided with electrical lighting and plumbing facilities. Total floor area including parking areas is 21,444-square meters.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that an **existing office/commercial building utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php142,099,720 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.28% (discount rate less growth

Discounted Cash Flow Analysis (in PhP) EBLOC 3															
<b>STATISTICS</b>															
Estimated Leasable Area		15,235.47	sq.m.												
Vacancy Rate (incl. bad debts)		-													
Terminal Capitalization Rate		7.28419%													
Discount Rate		9.78419%													
Present Worth Factor				0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
<b>GROSS REVENUES</b>				<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
			Escalation			5.25%	5.24%	4.58%	4.60%	2.50%	2.50%	2.50%	2.50%	2.50%	11
Office Spaces				-	-	-	-	-	-	-	-	-	-	-	
Retails				-	-	-	-	-	-	-	-	-	-	-	
Parking Slots				-	-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>															
Dues - Net				-	-	-	-	-	-	-	-	-	-	-	
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>															
Vacancy Rate (incl. bad debts)		% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>				142,099,720	149,561,704	157,400,289	164,609,404	172,185,643	176,490,284	180,902,542	185,425,105	190,060,733	194,812,251	1,713,547,675	199,682,557
<b>LESS: OPERATING EXPENSES</b>															
Direct Operating Expenses															
Outside services				7,176,577	7,463,640	7,762,186	8,072,673	8,395,580	8,605,469	8,820,606	9,041,121	9,267,149	9,498,828		
Repairs and maintenance				12,252,981	12,743,100	13,252,824	13,782,937	14,334,254	14,692,611	15,059,926	15,436,424	15,822,335	16,217,893		
Miscellaneous				924,020	960,981	999,420	1,039,397	1,080,973	1,107,997	1,135,697	1,164,089	1,193,192	1,223,021		
Land lease				10,010,600	10,513,532	11,039,186	11,496,240	11,975,805	12,275,200	12,582,080	12,896,632	13,219,048	13,549,524		
Building lease				-	-	-	-	-	-	-	-	-	-		
Taxes and licenses				7,266,770	7,575,979	7,959,173	8,493,601	9,242,660	9,473,726	9,710,569	9,953,334	10,202,167	10,457,221		
Management fees				10,467,797	10,778,828	11,101,668	11,405,987	11,804,956	12,100,079	12,402,581	12,712,646	13,030,462	13,356,224		
Insurance				-	-	-	-	-	-	-	-	-	-		
Others				2,120,745	2,205,574	2,293,797	2,385,549	2,480,971	2,542,996	2,606,570	2,671,735	2,738,528	2,806,991		
				50,219,489	52,241,634	54,408,254	56,676,384	59,315,199	60,798,079	62,318,031	63,875,981	65,472,881	67,109,703		68,787,445
General Administrative Expenses				748,800	778,752	809,902	842,298	875,990	897,890	920,337	943,346	966,929	991,102		1,015,880
Capital Expenditures				4,449,156	4,672,681	4,906,305	5,109,440	5,322,580	5,455,645	5,592,036	5,731,837	5,875,133	6,022,011		6,172,561
Marketing Expenses		0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0		0
<b>Total</b>				55,417,445	57,693,066	60,124,461	62,628,122	65,513,769	67,151,613	68,830,403	70,551,163	72,314,943	74,122,816	-	75,975,886
<b>NET INCOME</b>				86,682,275	91,868,638	97,275,828	101,981,282	106,671,875	109,338,671	112,072,138	114,873,942	117,745,790	120,689,435	1,059,199,874	123,706,671
<b>ADD: Reversion Value (Resale Value)</b>															1,698,289,214
<b>LESS: Marketing Cost</b>															0
<b>Net Reversion Value</b>															1,698,289,214
Present Worth Factor @	9.78419%	discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
<b>Present Worth of Net Income</b>				78,956,972	76,223,282	73,516,613	70,203,894	66,888,407	62,450,353	58,306,765	54,438,105	50,826,131	47,453,811	639,264,335	
<b>Present Worth of Net Reversion Value</b>															667,749,386
<b>Total Present Value of Net Income</b>															639,264,335
<b>Present Worth of Net Reversion Value</b>															667,749,386
<b>Total</b>															1,307,013,721
<b>Market Value of Property (building and its facilities)</b>				PhP											1,307,013,721
<b>Rounded to</b>				PhP											1,307,014,000

On the Basis of the foregoing, the market value of Ebloc 3 using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,307,014,000.**

## **MARKET VALUE APPRAISAL**

Property exhibited to us as owned by the  
***CEBU HOLDINGS, INC***

### **EBLOC 4 - CEBU IT PARK**

Located in  
**Cebu IT Park**  
**Barangay Lahug, Cebu City**

23 January 2025

**AREIT, INC.**

28<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

28<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-015**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us as owned by the **CEBU HOLDINGS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **EBLOC 4 Building – Cebu IT Park**, located **along Jose Maria del Mar Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION SEVEN HUNDRED FORTY-TWO MILLION FOUR HUNDRED TWENTY THOUSAND (Php1,742,420,000) PESOS**.

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoar

CMTasu

**CAI File No. 12-2024-1132-015**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-015**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Cebu IT Park, Barangay Lahug, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset and liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property is the **Ebloc 4 Building – Cebu IT Park**, located **on the southeast side of Jose Maria del Mar Street, Cebu IT Park, Barangay Lahug, Cebu City**.

The property is located across Ebloc 1 and Avida Towers Riala, approximately 90-meter northwest from Governor M. Cuenco Avenue; and about 620 meters northeast from Salinas Drive.

Jose Maria del Mar Street is 25 meters wide, concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, center island and underground drainage.

### ***III. NEIGHBORHOOD DATA***

Cebu IT Park (formerly known as Asiatown IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the Information Technology Services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to medium vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

Avida Towers - Cebu  
Skyrise 1 to 3  
eBlock Towers 2 to 4  
Park Centrale  
Filinvest Cebu Cyberzone  
Calyx Centre  
TGU Tower  
Ayala Central Block Mall

Ayala Central Block Mall – Cebu and SM City – Cebu serve the shopping and marketing needs of the residents in the area. These are accessible from the subject property by taxicabs and hired motorcycles (locally known as habal-habal). Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Cebu City, as well as to other parts of Cebu Province, is available along Salinas Drive which is approximately 620 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. LAND DATA**

The land is technically identified as Lot 1, (LRA) PCS-E2019000680, containing an area of 2,420 square meters, covered by Transfer Certificate of Title No. 107-2019004887 issued on 5<sup>th</sup> of November 2019 by the Registry of Deeds for the Cebu City in favor of the **CEBU HOLDINGS, INC.**

The land is bounded by the following properties:

Northeast - Lot 2, (LRA) PCS-E2019000680  
Southeast - Lot 3, PSD-07-021172  
Southwest - Lot 1, Block 9, PSD-07-037105  
Northwest - Lot 4 (Road), (LRA) PCS-E2019000680  
(Jose Maria del Mar Street)

Attached is a plan of the property as plotted based on the technical description appearing in the title furnished to us by the client. As shown, the land is nearly rectangular in shape with a frontage on Jose Maria del Mar Street.

The terrain of the land is flat. Its elevation is uniform and above the grade of the fronting street.

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

### **Government Assessment**

BIR Zonal Value of Real Property within Barangay Lahug, Cebu City as per Department Order No. 054-2023, effective 06 October 2023.

Street Name	Vicinity	Classification	5th Revision Zonal Value (Php/sq.m.)
Salinas Drive	IT Park	Commercial	135,000

## **VI. DESCRIPTION OF BUILDING**

### **Ebloc 4 Building**

This is a twelve (12)-storey reinforced concrete-framed building with roof deck of reinforced concrete slab floors, fiber cement board on metal furring and concrete soffit slab ceilings; reinforced concrete, partly with aluminum composite panel and glass on anodized aluminum frame walls; concrete hollow block, glass on anodized aluminum frame and fiber cement board on steel stud partitions; glass on aluminum frame and glass panel on anodized aluminum frame windows; frameless glass, glass on anodized aluminum frame, insulated steel panel doors; and ceramic and granite tile, carpet and plain cement finished concrete floors.

The building is painted and provided with electrical and plumbing facilities. Total floor area including parking areas is 21,686 square meters.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing office/commercial building utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php166,761,932 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.28% (discount rate less growth rate).

Discounted Cash Flow Analysis (in PhP) EBLOC 4														
<b>STATISTICS</b>														
Estimated Leasable Area	15,235.47	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	7.28419%													
Discount Rate	9.78419%													
Present Worth Factor	0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319				
	<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>	
<b>GROSS REVENUES</b>	Escalation	14.20%	3.44%	5.05%	5.46%	2.50%	2.50%	2.50%	2.50%	2.50%				2.50%
Office Spaces	-	-	-	-	-	-	-	-	-	-	-			
Retails	-	-	-	-	-	-	-	-	-	-	-			
Parking Slots	-	-	-	-	-	-	-	-	-	-	-			
<b>PLUS:</b>														
Dues - Net	-	-	-	-	-	-	-	-	-	-	-			
<b>Total Annual Revenues</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>	166,761,932	190,446,864	196,992,013	206,946,925	218,254,039	223,710,390	229,303,150	235,035,729	240,911,622	246,934,413	2,155,297,077	253,107,773		
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services	8,839,152	9,192,718	9,560,427	9,942,844	10,340,558	10,599,072	10,864,048	11,135,650	11,414,041	11,699,392				
Repairs and maintenance	11,789,004	12,260,565	12,750,987	13,261,027	13,791,468	14,136,254	14,489,661	14,851,902	15,223,200	15,603,780				
Miscellaneous	974,580	1,013,563	1,054,106	1,096,270	1,140,121	1,168,624	1,197,839	1,227,785	1,258,480	1,289,942				
Land lease	11,257,753	12,608,411	12,895,225	13,539,989	14,193,084	14,547,911	14,911,609	15,284,399	15,666,509	16,058,172				
Building lease	-	-	-	-	-	-	-	-	-	-				
Taxes and licenses	8,373,439	8,481,276	8,746,258	8,840,910	8,970,837	9,195,108	9,424,986	9,660,611	9,902,126	10,149,679				
Management fees	12,016,223	13,351,103	14,174,127	14,821,281	15,581,347	15,970,880	16,370,152	16,779,406	17,198,891	17,628,864				
Insurance	884,370	919,745	956,534	994,796	1,034,588	1,060,452	1,086,964	1,114,138	1,141,991	1,170,541				
Others	2,276,298	2,367,350	2,462,044	2,560,526	2,662,947	2,729,520	2,797,758	2,867,702	2,939,395	3,012,880				
	56,410,819	60,194,731	62,599,709	65,057,642	67,714,949	69,407,822	71,143,018	72,921,593	74,744,633	76,613,249				78,528,580
General Administrative Expenses	748,800	778,752	809,902	842,298	875,990	897,890	920,337	943,346	966,929	991,102				1,015,880
Capital Expenditures	5,003,446	5,603,738	5,731,211	6,017,773	6,308,037	6,465,738	6,627,382	6,793,066	6,962,893	7,136,965				7,315,389
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0				0
<b>Total</b>	62,163,065	66,577,221	69,140,822	71,917,713	74,898,976	76,771,450	78,690,737	80,658,005	82,674,455	84,741,317				86,859,850
<b>NET INCOME</b>	104,598,867	123,869,643	127,851,190	135,029,212	143,355,063	146,938,940	150,612,413	154,377,724	158,237,167	162,193,096	1,407,063,315	166,247,923		
<b>ADD: Reversion Value (Resale Value)</b>														2,282,310,674
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														2,282,310,674
Present Worth Factor @ 9.78419% discount rate	0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319				0.39319
<b>Present Worth of Net Income</b>	95,276,800	102,774,472	96,624,071	92,954,083	89,890,534	83,926,287	78,357,769	73,158,722	68,304,633	63,772,613	845,039,983			
<b>Present Worth of Net Reversion Value</b>														897,380,457
<b>Total Present Value of Net Income</b>														845,039,983
<b>Present Worth of Net Reversion Value</b>														897,380,457
<b>Total</b>														1,742,420,440
<b>Market Value of Property (building and its facilities)</b>	PhP													1,742,420,440
<b>Rounded to</b>	PhP													1,742,420,000

On the Basis of the foregoing, the market value of Ebloc 4 using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,742,420,000**.

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **ACC TOWER**

Located in  
**Cebu Business Park**  
**Barangay Luz, Cebu City**

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 24 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices, has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-016**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property consists of **building only (ACC Tower)** located **within Cebu Business Park, Cebu City**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character, and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION SEVEN HUNDRED THIRTY-TWO MILLION TWENTY-FIVE THOUSAND (Php1,732,025,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoar

CMT:asu

**CAI File No. 12-2024-1132-016**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-016**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain property located within Cebu Business Park, Barangay Luz, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the property appraised is the site of **ACC Tower**, is located on the southeast side of Bohol Avenue, within Cebu Business Park, Barangay Luz, Cebu City.

The property is located approximately 120 meters northeast from the corner of Bohol and Luzon Avenue; 200 meters northeast from the corner of Luzon Avenue and Archbishop Reyes Avenue; and about 500 meters northeast from Gorordo Avenue.

Bohol Avenue is 18 meters wide, concreted and provided with concrete curbs and gutters, concrete sidewalks and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in an area where land development is for commercial use.

Generally, the streets in the neighborhood are designed to accommodate light to moderate vehicular and pedestrian traffic loads. Major thoroughfares are concreted, with widths ranging from 20 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

WT-Pag-Ibig Tower Building  
Ayala FGU-Center  
Kepwealth Center Cebu  
Seda Hotel  
Cebu Holdings Center  
Park Tower 1  
Park Tower 2  
Pioneer Insurance Building

Ayala Center Mall serves the shopping and marketing needs of the residents in the area. This is adjacent to the subject property. Other community centers like the post office, public market, churches, hospitals/clinics, and private and public schools are likewise accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Cebu City is available along Archbishop Reyes Avenue which is approximately 200 meters from the subject property. Streets lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE IMPROVEMENTS**

This is a twelve (12)-storey corporate center that consists of retail shops at the ground and second levels while call centers/business process outsourcing (BPO) offices at the upper floors. The building also includes parking spaces on the building podium level.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities and back up generator. The building is also equipped with four (4) elevators. Total leasable area is approximately 27,457.53 square meters.

#### **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php211,250,904 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.28% (discount rate less growth).

Discounted Cash Flow Analysis (in PhP) ACC TOWER															
<b>STATISTICS</b>															
Estimated Leasable Area	27,457.53	sq.m.													
Vacancy Rate (incl. bad debts)	-														
Terminal Capitalization Rate	7.28%														
Discount Rate	9.78%														
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319			
			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	5.96%	1.95%	4.34%	-2.10%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		2.50%
Office Spaces			-	-	-	-	-	-	-	-	-	-	-		
Retails			-	-	-	-	-	-	-	-	-	-	-		
Parking Slots			-	-	-	-	-	-	-	-	-	-	-		
<b>PLUS:</b>															
Dues - Net			-	-	-	-	-	-	-	-	-	-	-		
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>															
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>211,250,904</b>	<b>223,843,118</b>	<b>228,204,742</b>	<b>238,103,849</b>	<b>233,109,815</b>	<b>238,937,561</b>	<b>244,911,000</b>	<b>251,033,775</b>	<b>257,309,619</b>	<b>263,742,360</b>	<b>2,390,446,741</b>	<b>270,335,919</b>	
<b>LESS: OPERATING EXPENSES</b>															
Direct Operating Expenses															
Outside services			11,928,438	12,405,576	12,901,799	13,417,871	13,954,586	14,303,450	14,661,036	15,027,562	15,403,251	15,788,333			
Repairs and maintenance			15,575,086	16,198,090	16,846,013	17,519,854	18,220,648	18,676,164	19,143,068	19,621,645	20,112,186	20,614,991			
Miscellaneous			1,218,297	1,267,029	1,317,710	1,370,418	1,425,235	1,460,866	1,497,387	1,534,822	1,573,193	1,612,523			
Land lease			17,445,138	18,416,310	18,791,900	19,591,808	20,398,079	20,908,031	21,430,732	21,966,500	22,515,662	23,078,554			
Building lease			-	-	-	-	-	-	-	-	-	-			
Taxes and licenses			11,092,638	11,179,850	11,799,546	12,314,737	12,759,424	13,078,409	13,405,370	13,740,504	14,084,017	14,436,117			
Management fees			16,041,986	16,937,560	17,169,996	17,979,137	17,843,586	18,289,675	18,746,917	19,215,590	19,695,980	20,188,380			
Insurance			-	-	-	-	-	-	-	-	-	-			
Others			2,054,957	2,137,156	2,222,642	2,311,548	2,404,010	2,464,110	2,525,713	2,588,855	2,653,577	2,719,916			
			75,356,541	78,541,569	81,049,606	84,505,372	87,005,566	89,180,706	91,410,223	93,695,479	96,037,866	98,438,812	875,221,740	100,899,783	
General Administrative Expenses			(124,800)	(129,792)	(134,984)	(140,383)	(145,998)	(149,648)	(153,390)	(157,224)	(161,155)	(165,184)		(169,313)	
Capital Expenditures			7,753,395	8,185,027	8,351,956	8,707,470	9,065,813	9,292,458	9,524,770	9,762,889	10,006,961	10,257,135		10,513,563	
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			<b>82,985,136</b>	<b>86,596,804</b>	<b>89,266,578</b>	<b>93,072,459</b>	<b>95,925,381</b>	<b>98,323,515</b>	<b>100,781,603</b>	<b>103,301,143</b>	<b>105,883,672</b>	<b>108,530,764</b>	<b>964,667,055</b>	<b>111,244,033</b>	
<b>NET INCOME</b>			<b>128,265,768</b>	<b>137,246,314</b>	<b>138,938,164</b>	<b>145,031,390</b>	<b>137,184,434</b>	<b>140,614,045</b>	<b>144,129,396</b>	<b>147,732,631</b>	<b>151,425,947</b>	<b>155,211,596</b>	<b>1,425,779,686</b>	<b>159,091,886</b>	
<b>ADD: Reversion Value (Resale Value)</b>														2,184,070,039	
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0	
<b>Net Reversion Value</b>														2,184,070,039	
Present Worth Factor @	9.78% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319	
<b>Present Worth of Net Income</b>			<b>116,834,459</b>	<b>113,873,078</b>	<b>105,003,097</b>	<b>99,839,580</b>	<b>86,021,252</b>	<b>80,313,733</b>	<b>74,984,907</b>	<b>70,009,651</b>	<b>65,364,502</b>	<b>61,027,561</b>	<b>873,271,820</b>		
<b>Present Worth of Net Reversion Value</b>														858,753,277	
<b>Total Present Value of Net Income</b>														873,271,820	
<b>Present Worth of Net Reversion Value</b>														858,753,277	
<b>Total</b>														1,732,025,097	
<b>Market Value of Property (building and its facilities)</b>															
<b>Rounded to</b>															

On the basis of the foregoing, the market value of the ACC Tower using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,732,025,000.**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **TECH TOWER – CEBU BUSINESS PARK**

Located in  
**Cebu Business Park**  
**Barangay Hipodromo, Cebu City**

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-017**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is **building only (Tech Tower)**, located **on the corner of Sumilon and Camiguin Roads, within Cebu Business Park, Barangay Hipodromo, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character, and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using the income approach appraised as of **31 December 2024** is reasonably represented in the amount of **NINE HUNDRED EIGHTY-SEVEN MILLION SEVEN HUNDRED FORTY-SIX THOUSAND (Php987,746,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:

  
**CARMELA M. TORBELA**  
**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoor

CMT:asu

CAI File No. 11-2023-1072-017

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-017**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Cebu Business Park, Barangay Hipodromo, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free, and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power, and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property is identified as the site of **TechTower–Cebu Business Park**, located **on the corner of Sumilon and Camiguin Roads, within Cebu Business Park, Barangay Hipodromo, Cebu City**.

The site of Tech Tower is bounded by Sumilon Road on the west, Camiguin Road on the south and east. It is located approximately 200-meters southeast from the intersection of Sumilon Road and Cardinal Rosales Avenue; 500-meters southeast from Gorordo Avenue; 550-meters southeast from Ayala Center Cebu; 3.9-kilometer northeast from Cebu City Hall; and about 14.0-kilometers east from Mactan – Cebu International Airport.

Sumilon and Camiguin Roads are 15 and 10 meters wide, respectively, both are concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The Cebu Business Park (CBP) is a 50-hectare masterplanned development. Cebu Holdings, an affiliate of Ayala Land, is currently responsible for the development of Cebu Business Park. Integrating business, residential, sports, recreation, and leisure facilities, the centerpiece of the business park is the 9-hectare Ayala Center Cebu shopping mall, which draws 60,000 shoppers daily.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 30 meters, and lighted with streetlamps.

Some of the important improvements in Cebu Business Park are:

- Ayala Center Cebu
- WT Corporate Tower
- Seda Ayala Center Cebu (formerly Marriot Hotel)
- Lexmark Plaza
- Kepwealth Center Cebu (formerly Keppel Center)
- Pioneer House Cebu
- City Sports Club

The Ayala Center–Cebu and SM City–Cebu serve as the commercial and shopping centers in the area. These are accessible from the subject property by taxicab and motorcycle, locally known as habal-habal. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the subject property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Cebu City as well as to other parts of Metro Cebu, is available along Gorordo Avenue which is about 500 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. DESCRIPTION OF THE BUILDING**

##### **Tech Tower**

This is a twelve (12)-storey reinforced concrete-framed building; having reinforced concrete slab roof deck with parapet wall; tempered glass, cement plastered and EIFS finish concrete hollow block and reinforced concrete walls; fibered cement board on metal furring and concrete slab soffit ceilings; cement plastered partly ceramic tile finish concrete hollow block partitions and fibered cement board on steel stud partitions; glass panel on powder coated aluminum frame windows; and full glass, metal louver, glass on powder coated aluminum frame, fire rated, roll-up and laminated wood doors; ceramic and non-skid tiles, epoxy paint and plain cement finished concrete floors.

The building is painted and provided with electrical and plumbing facilities. Total floor area is 32,623.49 square meters and leasable floor area is 16,273 square meters.

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted

the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php93,854,760 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.78% (discount rate less growth

Discounted Cash Flow Analysis (in PhP) TECH TOWER														
<b>STATISTICS</b>														
Estimated Leasable Area	16,273.00	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	7.78419%													
Discount Rate	9.78419%													
Present Worth Factor	0.91088		0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319			
	<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>	
<b>GROSS REVENUES</b>	Escalation -		33.16%	5.00%	3.04%	5.04%	2.00%	2.00%	2.00%	2.00%	2.00%			2.00%
Office Spaces	-	-	-	-	-	-	-	-	-	-	-			
Retails	-	-	-	-	-	-	-	-	-	-	-			
Parking Slots	-	-	-	-	-	-	-	-	-	-	-			
<b>PLUS:</b>														
Dues - Net	-	-	-	-	-	-	-	-	-	-	-			
<b>Total Annual Revenues</b>														
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-			
<b>Effective Gross Revenues (EGR)</b>		<b>93,854,760</b>	<b>124,978,778</b>	<b>131,225,586</b>	<b>135,218,465</b>	<b>142,039,227</b>	<b>144,880,011</b>	<b>147,777,611</b>	<b>150,733,164</b>	<b>153,747,827</b>	<b>156,822,783</b>	<b>1,381,278,211</b>	<b>159,959,239</b>	
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services	6,854,088	7,128,252	7,413,382	7,709,917	8,018,314	8,178,680	8,342,254	8,509,099	8,679,281	8,852,867				
Repairs and maintenance	7,746,614	8,056,478	8,378,738	8,713,887	9,062,443	9,243,691	9,428,565	9,617,137	9,809,479	10,005,669				
Miscellaneous	849,077	883,040	918,362	955,096	993,300	1,013,166	1,033,430	1,054,098	1,075,180	1,096,684				
Land lease	7,579,604	9,718,949	10,198,880	10,471,152	10,993,183	11,213,047	11,437,308	11,666,054	11,899,375	12,137,363				
Building lease	-	-	-	-	-	-	-	-	-	-				
Taxes and licenses	7,345,519	7,233,418	7,569,491	7,657,785	7,724,573	7,879,064	8,036,645	8,197,378	8,361,326	8,528,552				
Management fees	6,872,100	9,027,343	9,324,206	9,675,861	10,256,615	10,461,747	10,670,982	10,884,402	11,102,090	11,324,132				
Insurance	360,000	374,400	389,376	404,951	421,149	429,572	438,164	446,927	455,865	464,983				
Others	2,002,638	2,082,744	2,166,053	2,252,695	2,342,803	2,389,659	2,437,453	2,486,202	2,535,926	2,586,644				
	39,609,640	44,504,624	46,358,488	47,841,345	49,812,380	50,808,628	51,824,800	52,861,296	53,918,522	54,996,893	492,536,616	56,096,830		
General Administrative Expenses	864,000	898,560	934,502	971,882	1,010,758	1,030,973	1,051,592	1,072,624	1,094,077	1,115,958	10,044,927	1,138,277		
Capital Expenditures	3,368,713	4,319,533	4,532,836	4,653,845	4,885,859	4,983,576	5,083,248	5,184,913	5,288,611	5,394,383	47,695,518	5,502,271		
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0		
<b>Total</b>		<b>43,842,353</b>	<b>49,722,717</b>	<b>51,825,826</b>	<b>53,467,073</b>	<b>55,708,997</b>	<b>56,823,177</b>	<b>57,959,641</b>	<b>59,118,833</b>	<b>60,301,210</b>	<b>61,507,234</b>	<b>550,277,061</b>	<b>62,737,379</b>	
<b>NET INCOME</b>		<b>50,012,408</b>	<b>75,256,061</b>	<b>79,399,760</b>	<b>81,751,391</b>	<b>86,330,229</b>	<b>88,056,834</b>	<b>89,817,971</b>	<b>91,614,330</b>	<b>93,446,617</b>	<b>95,315,549</b>	<b>831,001,150</b>	<b>97,221,860</b>	
<b>ADD: Reversion Value (Resale Value)</b>													1,248,965,115	
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												0	
<b>Net Reversion Value</b>													1,248,965,115	
Present Worth Factor @ 9.78419% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319	
<b>Present Worth of Net Income</b>		<b>45,555,199</b>	<b>62,439,850</b>	<b>60,006,700</b>	<b>56,277,642</b>	<b>54,133,215</b>	<b>50,294,926</b>	<b>46,728,790</b>	<b>43,415,508</b>	<b>40,337,153</b>	<b>37,477,067</b>	<b>496,666,049</b>		
<b>Present Worth of Net Reversion Value</b>													491,079,895	
<b>Total Present Value of Net Income</b>			<b>496,666,049</b>											
<b>Present Worth of Net Reversion Value</b>			<b>491,079,895</b>											
<b>Total</b>			<b>987,745,944</b>											
<b>Market Value of Property (building and its facilities)</b>	PhP		<b>987,745,944</b>											
<b>Rounded to</b>	PhP		<b>987,746,000</b>											

On the basis of the foregoing, the market value of the Tech Tower using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php987,746,000**.

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **One Ayala West Tower**

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

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-018**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property consists of a **building (One Ayala West Tower)**, located on the **6<sup>th</sup> to 22<sup>nd</sup> floors of One Ayala West Tower, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character, and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably presented in the amount of **FIVE BILLION FIVE HUNDRED FIFTY-SIX MILLION EIGHT HUNDRED SEVENTY-THREE THOUSAND (Php5,556,873,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoor

CMT:ase

CAI File No. 12-2024-1132-018

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-018**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property consists of a **building**, located **on the 6<sup>th</sup> to 22<sup>nd</sup> floor of One Ayala West Tower, along Ayala Avenue corner Epifanio de los Santos Avenue (EDSA), within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

One Ayala Avenue is bounded by Courtyard Drive on the southwest, East Street on the northwest, Ayala Avenue on the northeast, and Epifanio de los Santos Avenue (EDSA) on the southeast. It is located approximately 280 meters northeast from the intersection of Antonio Arnaiz Avenue and Epifanio de los Santos Avenue; 500 meters southeast from the intersection of Ayala and Makati Avenues; 800 meters southwest from the intersection of Buendia Avenue and Epifanio Delos Santos Avenue; and about 950 meters southeast from the intersection of Ayala Avenue and Paseo de Roxas.

Epifanio de los Santos Avenue (EDSA) is 50 meters wide, asphalt paved, and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the MRT Line carriageway.

Ayala Avenue is 40 meters wide, asphalt paved, and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and a center island. Above the center line is the Ayala Flyover.

Courtyard Drive and East Street are both 20 meters wide, concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### III. NEIGHBORHOOD DATA

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 50 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

SM City Makati  
MRT – Ayala Station  
Glorietta  
Twin Towers  
Pacific Plaza Condominium  
The Ritz Towers  
Rustan's Makati

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District. The shopping and marketing need of the residents in the area are available within the vicinity. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### IV. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Makati City, as well as to the other parts of Metro Manila, is available along Epifanio de los Santos Avenue (EDSA) where the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

### V. DESCRIPTION OF THE SUBJECT PROPERTY

Based on the list provided to us by the client, the appraised property is located on the 6<sup>th</sup> to 22<sup>nd</sup> of the One Ayala West Tower, containing a total floor area of 30,999.70 square meters, more or less.

This portion of the building is being leased. The leasable areas are technically identified as under:

West Tower	Multi-Tenant					Zoning
	Total					
L6	1,023.11	427.44	595.67	-	-	LZ
L7	1,881.57	395.42	595.75	377.67	512.73	LZ
L8	1,990.87	395.42	521.82	551.49	522.13	LZ
L9	1,990.87	395.42	521.82	551.49	522.13	LZ
L10	1,990.87	395.42	521.82	551.49	522.13	LZ

West Tower	Multi-Tenant					Zoning
	Total					
L11	1,990.87	395.42	521.82	551.49	522.13	LZ
L12	1,990.87	395.42	521.82	551.49	522.13	LZ
L14	1,990.87	395.42	521.82	551.49	522.13	LZ
L15	1,990.87	395.42	521.82	551.49	522.13	HZ
L16	1,929.94	395.42	478.78	533.60	522.13	HZ
L17	2,038.06	395.42	566.44	554.07	522.13	HZ
L18	2,038.06	395.42	566.44	554.07	522.13	HZ
L19	2,038.06	395.42	566.44	554.07	522.13	HZ
L20	2,038.06	395.42	566.44	554.07	522.13	HZ
L21	2,038.06	395.42	566.44	554.07	522.13	HZ
L22	2,038.06	395.42	566.44	554.07	522.13	HZ
<b>Total -</b>	<b>30,999.07</b>					

## VI. DESCRIPTION OF THE SUBJECT BUILDING

### One Ayala West Tower 1

The property is One Ayala West Tower, which is sixteen (16)-storey of reinforced concrete and steel frame on reinforced concrete foundation, with five (5) level podium and five (5)-level basement and roof deck, of reinforced concrete roof deck with waterproofing membrane; exposed concrete slab and gypsum board ceilings; curtain glass walls; cement plastered concrete hollow block walls and partitions; metal and steel louver doors; and plain cement concrete floors.

The common area is mostly constructed of gypsum board ceilings; cement plastered concrete hollow block walls and partitions; metal, steel and steel louver doors; ceramic tile finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms. The lobby and reception area is located on the ground floor having gypsum board ceilings; glass panel and cement plastered concrete hollow block walls; cement plastered concrete hollow block partitions; frameless glass and metal doors; and granite and ceramic tile floor finishes on concrete floors.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities, CCTV, firefighting equipment, and 24-hour security and is serviced by twelve (12) passenger and one (1) service elevators. The total gross floor area for West Tower is reportedly 41,082.96 square meters.

The building considered in this valuation is used as offices (BPO) from 6th to 22nd floors.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

## Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php642,651,264 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.78% (discount rate less growth

Discounted Cash Flow Analysis (in PhP) ONE AYALA WEST TOWER 1														
<b>STATISTICS</b>														
Estimated Leasable Area	30.999.07	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	7.78419%													
Discount Rate	9.78419%													
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
<b>GROSS REVENUES</b>			<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>
			Escalation	-	-	-	-	-	-	-	-	-	-	11
														2.00%
Office Spaces				-	-	-	-	-	-	-	-	-	-	
Retails				-	-	-	-	-	-	-	-	-	-	
Parking Slots				-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>														
Dues - Net				-	-	-	-	-	-	-	-	-	-	
<b>Total Annual Revenues</b>				-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues			-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>				<b>642,651,264</b>	<b>676,146,894</b>	<b>707,783,689</b>	<b>737,838,508</b>	<b>773,257,245</b>	<b>788,722,390</b>	<b>804,496,837</b>	<b>820,586,774</b>	<b>836,998,510</b>	<b>853,738,480</b>	<b>7,642,220,591</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services				19,591,977	20,956,563	21,794,826	22,666,619	23,573,283	24,044,749	24,525,644	25,016,157	25,516,480	26,026,810	233,713,106
Repairs and maintenance				50,775,667	52,781,970	54,893,248	57,088,978	59,372,538	60,559,988	61,771,188	63,006,612	64,266,744	65,552,079	590,069,012
Miscellaneous				967,823	1,006,536	1,046,797	1,088,669	1,132,216	1,154,860	1,177,957	1,201,516	1,225,547	1,250,058	11,251,977
Land lease				61,580,384	64,459,404	67,083,094	69,611,448	72,904,333	74,362,419	75,849,668	77,366,661	78,913,994	80,492,274	722,623,681
Building lease				-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses				54,190,405	54,839,550	55,151,055	55,451,440	55,742,916	56,857,774	57,994,930	59,154,828	60,337,925	61,544,684	571,265,507
Management fees				51,583,291	52,228,449	52,543,496	53,910,296	55,713,661	56,827,935	57,964,493	59,123,783	60,306,259	61,512,384	561,714,048
Insurance				2,480,536	2,579,757	2,682,948	2,790,266	2,901,876	2,959,914	3,019,112	3,079,494	3,141,084	3,203,906	28,838,892
Others				2,089,566	2,173,148	2,230,588	2,290,325	2,352,451	2,399,500	2,447,490	2,496,440	2,546,369	2,597,296	23,623,174
				243,259,648	251,025,377	257,426,050	264,898,041	273,693,274	279,167,140	284,750,483	290,445,492	296,254,402	302,179,490	2,743,099,398
General Administrative Expenses				793,957	825,716	858,744	893,094	928,818	947,394	966,342	985,669	1,005,382	1,025,490	9,230,607
Capital Expenditures				16,794,650	17,579,838	18,295,389	18,984,940	19,883,000	20,280,660	20,686,273	21,099,998	21,521,998	21,952,438	197,079,186
Marketing Expenses	0.00%	of gross revenues		0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>				<b>260,848,256</b>	<b>269,430,931</b>	<b>276,580,184</b>	<b>284,776,076</b>	<b>294,505,092</b>	<b>300,395,194</b>	<b>306,403,098</b>	<b>312,531,160</b>	<b>318,781,783</b>	<b>325,157,418</b>	<b>2,949,409,191</b>
<b>NET INCOME</b>				<b>381,803,008</b>	<b>406,715,963</b>	<b>431,203,505</b>	<b>453,062,433</b>	<b>478,752,153</b>	<b>488,327,196</b>	<b>498,093,740</b>	<b>508,055,615</b>	<b>518,216,727</b>	<b>528,581,061</b>	<b>4,692,811,401</b>
<b>ADD: Reversion Value (Resale Value)</b>														6,926,249,837
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														<b>6,926,249,837</b>
Present Worth Factor @	9.78419%	discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	0.39319
<b>Present Worth of Net Income</b>				<b>347,775,938</b>	<b>337,451,675</b>	<b>325,883,848</b>	<b>311,888,090</b>	<b>300,200,674</b>	<b>278,915,095</b>	<b>259,138,760</b>	<b>240,764,655</b>	<b>223,693,358</b>	<b>207,832,492</b>	<b>2,833,544,584</b>
<b>Present Worth of Net Reversion Value</b>														<b>2,723,328,298</b>
<b>Total Present Value of Net Income</b>					<b>2,833,544,584</b>									
<b>Present Worth of Net Reversion Value</b>					<b>2,723,328,298</b>									
<b>Total</b>					<b>5,556,872,883</b>									
<b>Market Value of Property (building and its facilities)</b>			PhP		<b>5,556,872,883</b>									
<b>Rounded to</b>			PhP		<b>5,556,873,000</b>									

On the Basis of the foregoing, the market value of the One Ayala West Tower 1 using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php5,556,873,000**.

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **One Ayala East Tower**

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

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data, and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form, and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices to undertake the work required. has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-019**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property consists of a **building (One Ayala East Tower)**, located on the **6<sup>th</sup> to 29<sup>th</sup> floors of One Ayala East Tower, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

Income Capitalization Approach is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character, and utility of the property;

Lease/Rent rate of similar property; and

Highest and best use of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably presented in the amount of **SIX BILLION SEVEN HUNDRED SIXTY-TWO MILLION ONE HUNDRED THIRTY THOUSAND (Php6,762,130,000) PESOS**.

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

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoar

CMT:asu

**CAI File No. 12-2024-1132-019**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-019**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property is located **on the 6<sup>th</sup> to 29<sup>th</sup> floor of One Ayala East Tower, along Ayala Avenue corner Epifanio de los Santos Avenue (EDSA), Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila.**

One Ayala is bounded by Courtyard Drive on the southwest, East Street on the northwest, Ayala Avenue on the northeast, and Epifanio de los Santos Avenue (EDSA) on the southeast. It is located approximately 280 meters northeast from the intersection of Antonio Arnaiz Avenue and Epifanio de los Santos Avenue; 500 meters southeast from the intersection of Ayala and Makati Avenues; 800 meters southwest from the intersection of Buendia Avenue and Epifanio de los Santos Avenue; and about 950 meters southeast from the intersection of Ayala Avenue and Paseo de Roxas.

Epifanio de los Santos Avenue (EDSA) is 50 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the MRT Line carriageway.

Ayala Avenue is 40 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the Ayala Flyover.

Courtyard Drive and East Street are both 20 meters wide, concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### III. NEIGHBORHOOD DATA

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 50 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

SM City Makati  
MRT – Ayala Station  
Glorietta  
Twin Towers  
Pacific Plaza Condominium  
The Ritz Towers  
Rustan's Makati

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District. The shopping and marketing needs of the residents in the area are available in the vicinity. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the site.

### IV. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio de los Santos Avenue (EDSA) where the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

### V. DESCRIPTION OF THE SUBJECT PROPERTY

The property is located at the 6<sup>th</sup> to 22<sup>nd</sup> of the One Ayala East Tower, containing a total floor area of 39,996.23 square meters, more or less.

This portion of the building is being leased. The leasable areas are technically identified as follows:

East Tower	Multi-Tenant					Zoning
	Total					
L6	1,727.26	490.46	354.58	430.52	451.70	LZ
L7	1,603.83	490.53	354.58	430.52	328.20	LZ
L8	1,691.64	464.50	354.58	430.52	442.04	LZ
L9	1,691.64	464.50	354.58	430.52	442.04	LZ
L10	1,691.64	464.50	354.58	430.52	442.04	LZ

East Tower	Multi-Tenant					Zoning
	Total					
L11	1,691.64	464.50	354.58	430.52	442.04	LZ
L12	1,691.64	464.50	354.58	430.52	442.04	LZ
L14	1,691.64	464.50	354.58	430.52	442.04	LZ
L15	1,691.64	464.50	354.58	430.52	442.04	MZ
L16	1,657.62	414.53	370.53	430.52	442.04	MZ
L17	1,744.52	414.53	457.43	430.52	442.04	MZ
L18	1,744.52	414.53	457.43	430.52	442.04	MZ
L19	1,744.52	414.53	457.43	430.52	442.04	MZ
L20	1,744.52	414.53	457.43	430.52	442.04	MZ
L21	1,744.52	414.53	457.43	430.52	442.04	MZ
L22	1,744.52	414.53	457.43	430.52	442.04	MZ
L23	1,744.52	414.53	457.43	430.52	442.04	HZ
L24	1,752.92	521.21	332.93	430.52	468.26	HZ
L25	1,840.30	608.60	332.93	430.52	468.26	HZ
L26	1,840.30	608.60	332.93	430.52	468.26	HZ
L27	1,840.30	608.60	332.93	430.52	468.26	HZ
L28	1,840.30	608.60	332.93	430.52	468.26	HZ
L29	1,840.30	608.60	332.93	430.52	468.26	HZ
<b>Total -</b>	<b>39,996.23</b>					

## VI. DESCRIPTION OF THE SUBJECT BUILDING

### One Ayala East Tower

This is twenty-three (23)-level of reinforced concrete and steel frame on reinforced concrete foundation, with five (5) level podium and five (5)-level basement, and roof deck of reinforced concrete roof deck with waterproofing membrane; exposed concrete slab and gypsum board ceilings; curtain glass walls; cement plastered concrete hollow block walls and partitions; metal and steel louver doors; and plain cement concrete floors.

The common area is mostly constructed of gypsum board ceilings; cement plastered concrete hollow block walls and partitions; metal, steel and steel louver doors; ceramic tile finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms. The lobby and reception area are located on the ground floor having gypsum board ceilings; glass panel and cement plastered concrete hollow block walls; cement plastered concrete hollow block partitions; frameless glass and metal doors; and granite and ceramic tile floor finishes on concrete floors.

The tower features office units (BPO) from the 6th to the 29th floors.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities, CCTV, firefighting equipment, and 24-hour security and is serviced by eighteen (18) passenger elevators, and one (1) service elevator.

## **VII. VALUATION**

The estimate Market Value of a property is normally done by applying any one or a combination of the three (3) approaches to value, namely: Market Data (or Direct Sales Comparison) Approach, Income Approach, and the Cost Approach. However, based on our appraisal agreement, the value property should be determined by Income Approach.

### **Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php820,493,216 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.78% (discount rate less growth

Discounted Cash Flow Analysis (in PhP)														
ONE AYALA EAST TOWER 2														
STATISTICS														
Estimated Leasable Area	39,996.00	sq.m.												
Vacancy Rate (incl. bad debts)														
Terminal Capitalization Rate	7.78419%													
Discount Rate	9.78419%													
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES	Escalation	-		2.39%	2.47%	2.20%	2.53%	2.00%	2.00%	2.00%	2.00%	2.00%		
Office Spaces		-		-	-	-	-	-	-	-	-	-	-	
Retails		-		-	-	-	-	-	-	-	-	-	-	
Parking Slots		-		-	-	-	-	-	-	-	-	-	-	
PLUS:														
Dues - Net		-		-	-	-	-	-	-	-	-	-	-	
Total Annual Revenues		-		-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)	% of gross revenues	-		-	-	-	-	-	-	-	-	-	-	-
		-		-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)		820,493,216		840,117,534	860,904,960	879,862,877	902,116,200	920,158,524	938,561,694	957,332,928	976,479,586	996,009,178	9,092,036,696	1,015,929,362
LESS: OPERATING EXPENSES														
Direct Operating Expenses														
Outside services		21,699,055		23,761,913	24,712,390	25,700,885	26,728,921	27,263,499	27,808,769	28,364,945	28,932,243	29,510,888	264,483,509	
Repairs and maintenance		47,054,380		48,936,556	50,894,018	52,929,779	55,046,970	56,147,909	57,270,867	58,416,285	59,584,610	60,776,302	547,057,675	
Miscellaneous		918,680		955,428	993,645	1,033,391	1,074,726	1,096,221	1,118,145	1,140,508	1,163,318	1,186,584	10,680,646	
Land lease		81,293,891		82,891,595	84,619,693	86,054,571	87,813,030	89,569,291	91,360,677	93,187,890	95,051,648	96,952,681	888,794,967	
Building lease		-		-	-	-	-	-	-	-	-	-	-	
Taxes and licenses		58,463,552		58,765,703	58,970,786	59,186,569	59,390,676	60,578,489	61,790,059	63,025,860	64,286,377	65,572,105	610,030,176	
Management fees		66,459,522		66,846,003	67,329,981	67,907,788	69,138,898	70,521,676	71,932,110	73,370,752	74,838,167	76,334,930	704,679,829	
Insurance		3,484,510		3,623,890	3,768,846	3,919,599	4,076,383	4,157,911	4,241,069	4,325,891	4,412,408	4,500,657	40,511,164	
Others		2,461,010		2,559,451	2,619,091	2,681,117	2,745,623	2,800,536	2,856,547	2,913,678	2,971,951	3,031,390	27,640,394	
		281,834,601		288,340,538	293,908,449	299,413,699	306,015,228	312,135,532	318,378,243	324,745,808	331,240,724	337,865,538	3,093,878,359	344,622,849
General Administrative Expenses		126,342		131,396	136,652	142,118	147,803	150,759	153,774	156,849	159,986	163,186	1,468,866	166,450
Capital Expenditures		22,171,061		22,606,799	23,078,098	23,469,428	23,949,008	24,427,988	24,916,548	25,414,879	25,923,177	26,441,640	242,398,627	26,970,473
Marketing Expenses	0.00% of gross revenues	0		0	0	0	0	0	0	0	0	0	0	0
Total		304,132,004		311,078,733	317,123,199	323,025,245	330,112,039	336,714,279	343,448,565	350,317,536	357,323,887	364,470,365	3,337,745,852	371,759,772
NET INCOME		516,361,212		529,038,800	543,781,761	556,837,632	572,004,161	583,444,244	595,113,129	607,015,392	619,155,700	631,538,814	5,754,290,844	644,169,590
ADD: Reversion Value (Resale Value)														8,275,354,384
LESS: Marketing Cost	0.00% of Resale Value													0
Net Reversion Value														8,275,354,384
Present Worth Factor @	9.78419% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
Present Worth of Net Income		470,342,037		438,942,764	410,965,335	383,326,917	358,674,177	333,242,564	309,614,167	287,661,129	267,264,660	248,314,393	3,508,348,143	
Present Worth of Net Reversion Value														3,253,781,961
Total Present Value of Net Income				3,508,348,143										
Present Worth of Net Reversion Value				3,253,781,961										
Total				6,762,130,104										
Market Value of Property (building and its facilities)				PhP	6,762,130,104									
Rounded to				PhP	6,762,130,000									

On the Basis of the foregoing, the market value of the One Ayala East Tower 2 using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php6,762,130,000**.

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **Glorietta 2 BPO**

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

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 24 January 2025. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-021**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property consists of a **building of Glorietta 2 BPO**, located **on the 5<sup>th</sup> to 11<sup>th</sup> floors of Glorietta 2, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market conditions, and considered the –

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease / Rent rates of the property,

Extent, character, and utility of the property, and

Highest and best use of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably presented in the amount of **THREE BILLION SIX HUNDRED SEVENTY-SIX MILLION FOUR HUNDRED NINETY-FIVE THOUSAND (Php3,676,495,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Department Manager - Real Estate**

PRC Registration Number: 0000087

Valid Until: 12/06/2025

IPREA Membership No. 847

PTR No. 3974190

06 January 2025

Dasmariñas City

EPL:agd:mfm

CAI File No. 12-2024-1132-021

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 12-2024-1132-021

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

The appraised property is a **building**, located **on the 5<sup>th</sup> to 11<sup>th</sup> floors of Glorietta 2, along Ayala Avenue, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Glorietta Commercial Complex is bounded by East Street on the southeast, Palm Drive on the southwest, Parkway Drive on the northwest and Ayala Avenue on the north corner of Ayala Avenue on the northeast. It is located approximately 240 meters northwest from Epifanio de los Santos Avenue; 250 meters northeast from Palm Drive; 400 meters northeast from Arnaiz Avenue; 400 meters southeast from Makati Avenue; and about 800 meters southeast from Paseo de Roxas.

Palm Drive, Parkway Drive and East Street are 20 meters wide while Ayala Avenue is 30 meters wide, concreted with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

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

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Rustan's Makati	Ritz Tower
The Makati Tuscanny	Discovery Primea
Pacific Plaza Condominium	

SM Makati, Landmark and Greenbelt serve the shopping, marketing and commercial needs of the residents in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING**

The property is a building located on the 5<sup>th</sup> to 11<sup>th</sup> floors of Glorietta 2 - BPO, containing a total floor area of 21,256.23 square meters, more or less.

This portion of the building is being leased by BPOs, with interior finishes technically described as follows:

##### **5<sup>th</sup> Floor**

Interior finishes consist of exposed soffit slab ceiling, cement plastered concrete hollow block walls; double walled gypsum board on C-stud frame with decorative wood plank and brick tile finished partitions; fixed glass and glass on powder coated frame windows; PVC panel, glass panel and glass on frameless doors; and partly ceramic tile and mainly carpet tile finished concrete floor.

##### **6<sup>th</sup> to 10<sup>th</sup> Floors**

Interior finishes consist of gypsum board on C-stud frame and acoustic fiber board on T-runner ceilings; cement plastered concrete hollow block walls; double walled gypsum board on C-stud frame and fixed glass on wood and aluminum frame partitions; fixed glass and glass on powder coated frame windows; wood panel and frameless glass doors; and ceramic tile, laminated vinyl tile and partly carpet tile finished concrete floor.

**11<sup>th</sup> Floor**

Interior finishes consist of gypsum board on C-stud frame and acoustic fiber board on T-runner ceiling; cement plastered concrete hollow block walls; double walled gypsum board on c-stud frame and fixed glass on wood and aluminum frame partitions; fixed glass and glass on powder coated frame windows; wood panel and frameless glass doors; and ceramic tile, laminated vinyl tile and partly carpet tile finished concrete floor.

These units are painted and provided with electrical lighting, firefighting, and plumbing facilities. Total floor area is approximately 21,256.23 square meters, allocated as follows:

<b>Floor Level</b>	<b>Area (sq.m.)</b>
5 <sup>th</sup>	3,037.23
6 <sup>th</sup>	3,042.00
7 <sup>th</sup>	3,040.00
8 <sup>th</sup>	3,038.00
9 <sup>th</sup>	3,037.00
10 <sup>th</sup>	3,033.00
11 <sup>th</sup>	<u>3,029.00</u>
<b>Total - 21,256.23 sq.m.</b>	

Estimated remaining economic life is 30 years.

**VI. DESCRIPTION OF THE BUILDING****Glorietta 2**

The vibrant convergence points of the Makati Central Business District. Strategically located near prestigious office addresses, premier hotels, and main transport terminals, Glorietta 2 occupies a central space in the lives of those in the business district. With its wide selection of shopping, dining, and entertainment offerings organized into strategic zones, Glorietta caters to the various needs of office workers, students, friends, and families.

**VII. VALUATION**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

## Income Capitalization Approach

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

## Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php360,967,408 including dues-net;
3. The average growth rate of the effective gross revenue over 10-year projection is 3.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 4.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP) GLORIETA 2														
<b>STATISTICS</b>														
Estimated Leasable Area	21,256.23	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	6.78%													
Discount Rate	9.78%													
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation -		9.35%	8.43%	-3.15%	-1.21%	3.00%	3.00%	3.00%	3.00%	3.00%		3.00%
Office Spaces			-	-	-	-	-	-	-	-	-	-		
Retails			-	-	-	-	-	-	-	-	-	-		
Parking Slots			-	-	-	-	-	-	-	-	-	-		
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-		
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			<b>360,967,408</b>	<b>394,714,222</b>	<b>428,002,977</b>	<b>414,540,576</b>	<b>409,506,570</b>	<b>421,791,768</b>	<b>434,445,521</b>	<b>447,478,886</b>	<b>460,903,253</b>	<b>474,730,350</b>	<b>4,247,081,530</b>	<b>488,972,261</b>
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			7,913,213	8,229,741	8,558,931	8,901,288	9,257,340	9,535,060	9,821,112	10,115,745	10,419,218	10,731,794		
Repairs and maintenance			8,591,114	8,934,758	9,292,149	9,663,835	10,050,388	10,351,900	10,662,457	10,982,330	11,311,800	11,651,154		
Miscellaneous			310,534	322,955	335,873	349,308	363,280	374,179	385,404	396,966	408,875	421,142		
Land lease			27,570,980	35,547,625	38,802,168	39,759,046	41,048,180	42,279,626	43,548,015	44,854,455	46,200,089	47,586,091		
Building lease			-	-	-	-	-	-	-	-	-	-		
Taxes and licenses			19,399,182	19,584,767	20,251,572	20,547,838	20,495,052	21,109,903	21,743,200	22,395,496	23,067,361	23,759,382		
Management fees			25,732,875	31,284,330	33,017,041	32,877,222	33,378,606	34,379,964	35,411,363	36,473,704	37,567,915	38,694,953		
Insurance			955,440	993,658	1,033,404	1,074,740	1,117,730	1,151,262	1,185,800	1,221,374	1,258,015	1,295,755		
Others			2,194,236	2,282,005	2,373,285	2,468,217	2,566,945	2,643,954	2,723,272	2,804,971	2,889,120	2,975,793		
			92,667,574	107,179,840	113,664,424	115,641,493	118,277,522	121,825,848	125,480,623	129,245,042	133,122,393	137,116,065		141,229,547
General Administrative Expenses			734,586	763,969	794,528	826,309	859,362	885,143	911,697	939,048	967,219	996,236		1,026,123
Capital Expenditures			11,991,856	12,926,409	14,109,879	14,457,835	14,926,611	15,374,409	15,835,642	16,310,711	16,800,032	17,304,033		17,823,154
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0		0
<b>Total</b>			<b>105,394,016</b>	<b>120,870,218</b>	<b>128,568,831</b>	<b>130,925,637</b>	<b>134,063,495</b>	<b>138,085,400</b>	<b>142,227,962</b>	<b>146,494,800</b>	<b>150,889,644</b>	<b>155,416,334</b>	<b>1,352,936,337</b>	<b>160,078,824</b>
<b>NET INCOME</b>			<b>255,573,392</b>	<b>273,844,004</b>	<b>299,434,145</b>	<b>283,614,939</b>	<b>275,443,076</b>	<b>283,706,368</b>	<b>292,217,559</b>	<b>300,984,086</b>	<b>310,013,608</b>	<b>319,314,017</b>	<b>2,894,145,193</b>	<b>328,893,437</b>
<b>ADD: Reversion Value (Resale Value)</b>														<b>4,847,937,224</b>
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													<b>0</b>
<b>Net Reversion Value</b>														<b>4,847,937,224</b>
Present Worth Factor @	9.78% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
<b>Present Worth of Net Income</b>			<b>232,796,165</b>	<b>227,207,993</b>	<b>226,298,605</b>	<b>195,240,469</b>	<b>172,716,084</b>	<b>162,042,969</b>	<b>152,029,407</b>	<b>142,634,640</b>	<b>133,820,430</b>	<b>125,550,900</b>	<b>1,770,337,659</b>	
<b>Present Worth of Net Reversion Value</b>														<b>1,906,157,725</b>
<b>Total Present Value of Net Income</b>														<b>1,770,337,659</b>
<b>Present Worth of Net Reversion Value</b>														<b>1,906,157,725</b>
<b>Total</b>														<b>3,676,495,384</b>
<b>Market Value of Property (building and its facilities)</b>														
<b>Rounded to</b>														<b>3,676,495,000</b>

On the basis of the foregoing, the market value of Glorietta 2 BPO (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php3,676,495,000.**

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **Glorietta 1 and 2 Mall**

Located in  
**Ayala Center**  
**Makati City, Metro Manila**

27 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 27 January 2025. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form, and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices, has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

27 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-022**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraisal a certain real property exhibited to us by ~~the~~ **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property consists of **building of the Glorietta 1 and 2 Mall**, located in **Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow,

Lease/Rental rates of the property, and

Extent, character, and utility of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **FOUR BILLION EIGHT HUNDRED THIRTY THREE MILLION EIGHT HUNDRED THIRTY THOUSAND (Php4,833,830,000) PESOS.**


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

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Department Manager - Real Estate**  
PRC Registration Number: 0000087  
Valid Until: 12/06/2025  
IPREA Membership No. 847  
PTR No. 3974190  
06 January 2025  
Dasmariñas City

EPL:agd:mfm

**CAI File No. 12-2024-1132-022**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-022**

## NARRATIVE REPORT

### **I. GENERAL**

This report covers an appraisal of certain real property located in Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### **II. PROPERTY LOCATION AND IDENTIFICATION**

The appraised property is the **Glorietta 1 & 2 Mall**, located in **Glorietta Shopping Mall Complex, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The site of Glorietta Shopping Mall Complex is bounded by Office Drive on the northeast; Courtyard Drive and East Street on the southeast; Palm Drive on the southwest; and West Street and Parkway Drive on the northwest. This complex is located approximately 120 meters northeast from Antonio S. Arnaiz Avenue; 300 meters southwest from Ayala Avenue; and about 600 meters northwest from the intersection of Epifanio de los Santos Avenue (EDSA) and Ayala Avenue.

Office Drive, Courtyard Drive, East Street, Palm Drive, West Street and Parkway Drive are 15 meters wide, concrete-paved with asphalt overlay and provided with concrete curbs and gutters, and underground drainage.

### **III. NEIGHBORHOOD DATA**

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

Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 10 to 50 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

- SM City - Makati
- Pacific Plaza Condominium
- The Landmark
- Greenbelt
- Pacific Plaza Condominium
- Ritz Towers
- Makati Shangri-La

Ayala Center serves the shopping needs of the residents in the area. This is accessible from Ayala Avenue by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City, as well as to the other parts of Metro Manila is available along Ayala Avenue which is 120 meters from the shopping mall complex. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. LAND DATA**

Based on previous appraisal report, and as per client information on the complex area, the whole shopping complex where the subject building lies has a total land area of 250,000-square meter, more or less.

Attached is a copy of the site development plan of the property as plotted based on the previous report. As shown, the site of the shopping mall complex is bounded by Office Drive on the northeast; Courtyard Drive and East Street on the southeast; Palm Drive on the southwest; and West Street and Parkway Drive on the northwest.

The terrain of the land is flat, and above the grade of the fronting avenues.

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

**Government Assessment**

BIR Zonal Value of Real Property within Barangay San Lorenzo (Legaspi Village), Makati City per Department Order No. 037-2021, effective 22 December 2021:

Street Name	Vicinity	Classification	7 <sup>th</sup> Revision Zonal Value (Php/sq.m.)
East Drive	Ayala Center	Commercial	750,000

**VI. DESCRIPTION OF THE BUILDINGS****Glorietta Shopping Malls (Glorietta 1 to 5)**

Glorietta 1,2, 3 and 5 are three (3)-storey integrated malls, except for Glorietta 4 which is five (5)-storey mall, of reinforced concrete-framed building with basement parking and roof deck, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing with water proofing membrane; fibered cement board, steel panel, aluminum panel and acoustic board on aluminum T-runner ceilings; cement plastered concrete hollow block partly with granite tile finish partly gypsum board with aluminum composite panel cladding interior walls; cement plastered concrete hollow block and aluminum composite panel exterior walls; cement plastered concrete hollow block, fixed tampered glass and glass on aluminum frame partitions; glass on aluminum powder coated and steel louver windows; steel plate, wood panel. plywood flush, metal flush, frameless glass and glass on aluminum powder coated doors; granite, glazed, vinyl and ceramic tiles, and plain cement on epoxy paint finished concrete floors.

The building is painted and provided with electrical, plumbing and telecommunication facilities, elevators, escalators, firefighting equipment, standby generator set and centralized air conditioning.

Total floor area of Glorietta 1 to 5 Malls is approximately 199,648 square meters.

Note: Only Glorietta 1 and 2 were considered in the discounted cash flow analysis valuation.

**VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### **Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimate value through a capitalization process. Capitalization relates to income (usually net income) and a defined value type by converting an income amount into a value estimate.

### **Discounted Cash Flow (DCF) Analysis**

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation. DCF analysis involves the projection of a series cash flows either to an operating property, a development property or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value by adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php269,755,817 including dues-net;
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;

5. The average capital expenditures in 10-year projection is 0% per year of effective gross revenue;
6. Discount rate is estimated at 7.88% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 5.38% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP) GLORIETA MALL														
<b>STATISTICS</b>														
Estimated Leasable Area	199,648.00	sq.m.												
Vacancy Rate (incl. bad debts)	-													
Terminal Capitalization Rate	5.38%													
Discount Rate	7.88%													
Present Worth Factor			0.92696	0.85925	0.79648	0.73831	0.68438	0.63439	0.58805	0.54510	0.50528	0.46837		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation	-	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		2.50%
Office Spaces			-	-	-	-	-	-	-	-	-	-		
Retails			-	-	-	-	-	-	-	-	-	-		
Parking Slots			-	-	-	-	-	-	-	-	-	-		
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-		
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			269,755,817	276,499,712	283,412,205	290,497,510	297,759,948	305,203,947	312,834,045	320,654,896	328,671,269	336,888,051	3,022,177,400	345,310,252
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance			-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous			-	-	-	-	-	-	-	-	-	-	-	-
Land lease			-	-	-	-	-	-	-	-	-	-	-	-
Building lease			-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			1,987,326	2,037,061	2,088,041	2,140,298	2,193,863	2,248,710	2,304,928	2,362,551	2,421,614	2,482,155		
Management fees			8,415,829	8,436,536	8,441,997	8,430,519	8,400,261	8,610,268	8,825,525	9,046,163	9,272,317	9,504,125		
Insurance			-	-	-	-	-	-	-	-	-	-	-	-
Others			-	-	-	-	-	-	-	-	-	-	-	-
			10,403,155	10,473,597	10,530,038	10,570,817	10,594,125	10,858,978	11,130,452	11,408,713	11,693,931	11,986,280		12,285,937
General Administrative Expenses			-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures			-	-	-	-	-	-	-	-	-	-	-	-
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			10,403,155	10,473,597	10,530,038	10,570,817	10,594,125	10,858,978	11,130,452	11,408,713	11,693,931	11,986,280	109,650,086	12,285,937
<b>NET INCOME</b>			259,352,662	266,026,115	272,882,167	279,926,693	287,165,823	294,344,969	301,703,593	309,246,183	316,977,338	324,901,771	2,912,527,314	333,024,315
<b>ADD: Reversion Value (Resale Value)</b>														6,190,043,034
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														6,190,043,034
Present Worth Factor @	7.88% discount rate		0.92696	0.85925	0.79648	0.73831	0.68438	0.63439	0.58805	0.54510	0.50528	0.46837		0.46837
<b>Present Worth of Net Income</b>			240,408,474	228,582,194	217,346,345	206,671,486	196,529,642	186,728,664	177,416,463	168,568,664	160,162,107	152,174,786	1,934,588,827	
<b>Present Worth of Net Reversion Value</b>														2,899,240,818
<b>Total Present Value of Net Income</b>				1,934,588,827										
<b>Present Worth of Net Reversion Value</b>				2,899,240,818										
<b>Total</b>				4,833,829,645										
<b>Market Value of Property (building and its facilities)</b>		PhP		4,833,829,645										
<b>Rounded to</b>		PhP		4,833,830,000										

On the basis of the foregoing, the market value of Glorietta 1 and 2 Mall (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php4,833,830,000.**

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **BPI-PHILAM MAKATI**

Located at  
**No. 130 Dela Rosa Street  
Legaspi Village, Makati City  
Metro Manila**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVES ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-024**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised of certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **BPI-PHILAM MAKATI (building and its facilities)**, located **along Ayala Avenue and Valero Access Road**, within **Barangay Bel-Air, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** using is reasonably represented in the amount of **EIGHTY-FIVE MILLION EIGHT HUNDRED FORTY-NINE THOUSAND (Php85,849,000) PESOS**.


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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**  
PRC Registration Number: 0000407  
Valid Until: 05/10/2026  
IPREA Membership No. 1024  
PTR No. 3346304  
10 January 2025  
City of Malolos

AVS:asu

CAI File No. 12-2024-1132-024

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 12-2024-1132-024

## VALUATION REPORT

### I. GENERAL

This report covers an appraisal of a certain real property located within Barangay Bel-Air, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property consists of **eight (8) office units and twenty-four (24) allocated parking slots**, located within **BPI-Philam Makati (formerly Ayala Life-FGU Center), Ayala Avenue and Valero Access Road, within Barangay Bel-Air, Makati City, Metro Manila**.

The particulars of the office and parking slots are as follows:

Unit No.	Floor Levels	Allocated Parking Slots	Parking Levels	CCT Nos.	Area (sq.m.)
17-A	17 <sup>th</sup>	271, 272 and 273	7 <sup>th</sup>	80862	315
17-B	17 <sup>th</sup>	232, 233 and 234	6 <sup>th</sup>	80863	291
17-C	17 <sup>th</sup>	229, 230 and 231	6 <sup>th</sup>	80864	291
17-D	17 <sup>th</sup>	226, 227 and 228	6 <sup>th</sup>	80865	315
18-A	18 <sup>th</sup>	223, 224 and 225	6 <sup>th</sup>	80866	315
18-B	18 <sup>th</sup>	220, 221 and 222	6 <sup>th</sup>	80867	291
18-C	18 <sup>th</sup>	217, 218 and 219	6 <sup>th</sup>	80868	291
18-D	18 <sup>th</sup>	214, 215 and 216	6 <sup>th</sup>	80869	315
					<b>Total - 2,424 sq.m.</b>

The site of BPI-Philam Makati is located approximately 250 meters southeast from the intersection of Ayala Avenue and Sen. Gil Puyat Avenue; 600 meters northwest from the intersection of Ayala Avenue and Paseo de Roxas Avenue; and about 1.70 kilometers from the intersection of Ayala Avenue - Epifanio de los Santos Avenue (EDSA) – McKinley Road.

Ayala Avenue is 30 meters wide, with center island while Valero Access Road is 8 meters wide. All are concrete-paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### **III. NEIGHBORHOOD DATA**

The property is located in Makati Central Business District, a mixed-use development mainly multi-storey commercial – office/residential condominiums.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- RCBC Plaza
- FEU – Far Eastern University Makati Campus
- CEU – Centro Escolar University Makati Campus
- Makati Central Post Office
- Makati Central Fire Station

SM Jazz Mall, Glorietta Mall, Ayala Center Makati, SM Makati and Greenbelt Mall serve the shopping and marketing needs of the residents in the area. These are accessible from Ayala Avenue and Sen. Gil Puyat Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfares.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Metro Manila is available along Ayala Avenue where the subject building fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

**V. BPI-PHILAM MAKATI**

This is a thirty two (32)-storey with two (2)-level basement and six (6) podium parking of reinforced concrete framed building of concrete slab roof; gypsum board acoustic board on T-runner ceilings; clad with curtain wall of silver reflective glass bronzed aluminum and granite; glass on aluminum frame view walls; cement plastered concrete hollow block walls and partitions; steel louver and glass awning windows; granite tile, homogeneous tile, vinyl, carpet flooring and plain cement finish concrete floors; and plywood flush, glass on aluminum frame and tempered glass panel doors.

The building is painted and provided with a helipad on roof deck, electrical, plumbing, firefighting and alarm, security, standby power generator and telecommunication facilities.

The facility is serviced by four (4) high-rise, five (5) low-rise and one (1) passenger elevator.

Total floor area is approximately 27,343 square meters.

**VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

**VIII. VALUATION****By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodelling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses

include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php9,067,476 for office and parking rentals, including dues-net in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 2.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and

7. Terminal capitation rate is estimated at 7.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)															
BPI-PHILAM MAKATI															
STATISTICS															
	Gross Leasable Area				Ave. Lease Rate on Yr. 1										
	Office Space	1,072.02	sq.m.		-										
Discount Rate		9.78%													
Average Growth Rate		2.00%													
Terminal Capitalization Rate		7.78%													
Present Worth Factor				0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
			Year	1	2	3	4	5	6	7	8	9	10	Totals	11
GROSS REVENUES	Escalation	-		26.83%	3.79%	3.07%	-0.76%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		2.00%
Office Spaces		-		-	-	-	-	-	-	-	-	-	-		
Retails		-		-	-	-	-	-	-	-	-	-	-		
Parking Slots		-		-	-	-	-	-	-	-	-	-	-		
plus: Dues - Net															
Total Annual Revenues		-		-	-	-	-	-	-	-	-	-	-	-	-
LESS:															
Vacancy Rate (incl. bad debts)	of gross revenues	-		-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)		9,067,476		11,500,635	11,936,290	12,303,125	12,209,563	12,453,755	12,702,830	12,956,886	13,216,024	13,480,344	121,826,928	13,749,951	
LESS: OPERATING EXPENSES	Php(000)														
Direct Operating Expenses															
Outside services		-		-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance		355,104		369,308	384,080	399,443	415,421	423,730	432,204	440,848	449,665	458,659	4,128,462	467,832	
Miscellaneous		-		-	-	-	-	-	-	-	-	-	-	-	-
Land lease		-		-	-	-	-	-	-	-	-	-	-	-	-
Building lease		-		-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses		383,785		420,305	438,923	442,574	445,725	454,639	463,732	473,006	482,467	492,116	4,497,272	501,958	
Management fees		674,834		862,898	881,577	911,913	918,338	936,705	955,439	974,547	994,038	1,013,919	9,124,209	1,034,198	
Insurance		-		-	-	-	-	-	-	-	-	-	-	-	-
Others		2,632,867		2,738,182	2,847,709	2,961,618	3,080,082	3,141,684	3,204,518	3,268,608	3,333,980	3,400,660	30,609,907	3,468,673	
		4,046,590		4,390,693	4,552,290	4,715,548	4,859,566	4,956,757	5,055,892	5,157,010	5,260,150	5,365,353	48,359,850	5,472,660	
General Administrative Expenses		31,200		32,448	33,746	35,096	36,500	37,230	37,974	38,734	39,508	40,298	362,733	41,104	
Capital Expenditures		-		-	-	-	-	-	-	-	-	-	-	-	-
Total		4,077,790		4,423,141	4,586,035	4,750,644	4,896,065	4,993,987	5,093,866	5,195,744	5,299,659	5,405,652	48,722,583	5,513,765	
NET INCOME		4,989,686		7,077,494	7,350,254	7,552,481	7,313,498	7,459,768	7,608,963	7,761,143	7,916,365	8,074,693	73,104,344	8,236,187	
ADD: Reversion Value (Resale Value)														105,806,551	
LESS: Marketing Cost	0.00% of Resale Value													0	
Net Reversion Value														105,806,551	
Present Worth Factor @	9.78% discount rate			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	0.39319	
Present Worth of Net Income		4,544,995		5,872,187	5,554,985	5,199,126	4,585,916	4,260,754	3,958,647	3,677,961	3,417,177	3,174,884	44,246,632		
Present Worth of Net Reversion Value														41,602,018	
Total Present Value of Net Income					44,246,632										
Present Worth of Net Reversion Value					41,602,018										
Total					85,848,650										
Market Value of Property (building and its facilities)				PhP	85,848,650										
Rounded to				PhP	85,849,000										

On the basis of the foregoing, the market value of BPI PHILAM MAKATI (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **PhP85,849,000**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **BPI PHILAM LIFE ALABANG**

Located in  
**Barangay Ayala Alabang  
Muntinlupa City, Metro Manila**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was made on certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-025**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us as by the **AREIT, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **BPI PHILAM LIFE ALABANG (building and its facilities)**, located at **Alabang-Zapote Road corner Acacia Avenue Madrigal Business Park, Barangay Ayala Alabang, Muntinlupa City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **THIRTY MILLION SEVENTY FIVE THOUSAND (Php30,075,000) PESOS**.

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**

**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:asu

CAI File No. 12-2024-1132-025

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-025**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain real property located within Madrigal Business Park, Barangay Ayala Alabang, Muntinlupa City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

The appraised property consists of **six (6) office units**, located **on the 7<sup>th</sup> floor of Ayala Life-FGU Center, along Alabang-Zapote Road corner Acacia Avenue, within Madrigal Business Park, Barangay Ayala Alabang, Muntinlupa City, Metro Manila**.

Ayala Life-FGU Center is located approximately 450 meters northwest from Madrigal Avenue corner Alabang-Zapote Road; 1.40 kilometers northwest from Filinvest Avenue corner Alabang-Zapote Road; and about 2.35 kilometers northwest from South Luzon Expressway (SLEX).

Alabang Zapote Road is 40 meters wide and asphalt-paved while Acacia Avenue is 20 meters wide and concrete-paved. Both are provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

Ayala Life-FGU Center is located where land development is of mixed commercial and residential use.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are asphalted, with widths ranging from 15 to 50 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Isuzu Alabang  
Alabang Medical Center  
Richville Corporate Tower  
Philam Life Building  
Kingston Tower  
The Paragon Corporate Center

Puregold Molito and Alabang Town Center serve the commercial and shopping needs of the residents in the area. These are within the proximity of the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from Alabang- Zapote Road.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject condominium units.

Public transportation connecting to various sections of Muntinlupa City, as well as to the other parts of Metro Manila are available along Alabang-Zapote Road where the subject condominium building fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. DESCRIPTION OF THE SUBJECT PROPERTY**

##### **BPI Philam Life Alabang**

This is a thirteen (13)-storey with four (4) basement parking levels reinforced concrete framed building, constructed with reinforced concrete slab roof; soffit slab, plywood and gypsum board ceilings; cement plastered concrete hollow block walls; fiber cement board and glass on aluminum frame partitions; glass on powder-coated aluminum frame windows; wood panel, glass, steel and PVC doors; and plain cement, ceramic tiles, vinyl tiles, carpet, and epoxy paint finished concrete floors.

The building is painted and provided with electrical, plumbing, telecommunication, four (4) passenger elevators, and firefighting facilities.

The subject units consist of six (6) office units all located on the 7<sup>th</sup> floor having a total area of 551-square meter, the particulars are on the next page:

Unit No.	Floor Area (sq.m.)
709	55
701	55
702	102
703	113
704	113
705	<u>113</u>
<b>Total - 551 sq.m.</b>	

The interior finishes of the units consist of gypsum board on aluminum T-runner and plywood ceiling; fiber cement board and glass partitions; glass and PVC doors, and ceramic tiles, carpet and vinyl tiles finish concrete floor.

The units are presently leased by Amaia Land Corporation. Reportedly, all improvements are at the expense of the lessee.

#### **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

#### **VII. VALUATION**

##### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and

variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php3,513,614 for office and parking rentals, including dues-net in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The average growth rate of the effective gross revenue over 10-year projection is 2.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and

7. Terminal capitation rate is estimated at 7.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.


**Cuervo Appraisers, Inc.®**  
 ASSET VALUATION SOLUTIONS

On the basis of the foregoing, the market value of BPI PHILAM LIFE ALABANG (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php30,075,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **LAGUNA TECHNOPARK**

Located in  
**Barangay Biñan**  
**Biñan City, Province of Laguna**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was prepared on a fair and unbiased basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-026**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us as by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised properties consist of **land only**, located **within Laguna Technopark, Barangay Biñan, Biñan City, Province of Laguna**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** using is reasonably represented in the amount of **ONE BILLION TWO HUNDRED FOURTY SEVEN MILLION NINE HUNDRED SEVENTY-ONE THOUSAND (Php1,247,971,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:asu

CAI File No. 12-2024-1132-026

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-026**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Laguna Technopark, Barangay Biñan, Biñan City, Laguna. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

The appraised properties consist of two (2) sites, both are identified as the site of **Integrated Micro-Electronics, Inc.-Global Manufacturing**, located within **Laguna Technopark, Barangay Binan, Binan City, Province of Laguna**.

For purposes of definitive valuation, the property is defined as under:

**Site 1** –is a parcel of lot, located on the southwest side corner of Trade Avenue and Technology Avenue; approximately 200 meters southeast of East Main Avenue corner Trade Avenue; 300 meters northwest from East Science Avenue corner Trade Avenue; and about 1.2 kilometers southeast from Gate 3 of Laguna Technopark.

Technology and Trade Avenues are both about 15 meters wide, both are concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and an underground drainage.

**Site 2** - consists of three (3) contiguous parcels of lot, located on the northwest side of North Science Avenue, approximately 330 meters northeast of Laguna Technopark Gate 2; 400 meters southeast from the intersection of Technology Avenue and North Science Avenue; and about 640 meters southeast from the intersection of Laguna Boulevard and Technology Avenue.

North Science Avenue is about 15 meters wide, concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and an underground drainage.

### **III. NEIGHBORHOOD DATA**

The property is located in an area where land development is for industrial use.

Generally, the roads in the neighborhood are designed to accommodate medium to heavy vehicular traffic loads. Major thoroughfares are either concreted or asphalted, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Deca Technologies  
Goshi Philippines, Inc.  
FCC Philippines Corporation  
Yusen Logistics Philippines, Inc.  
Honda Parts Manufacturing Corporation  
Kawashima Textile Manufacturing Philippines

Paseo de Sta. Rosa, Vista Mall Sta. Rosa, and Ayala Malls Solenad serve the commercial and shopping needs of the residents in the area. These are accessible from Laguna Boulevard by public transportation. Other community centers like churches/chapels, hospital/clinic, and private and public schools are likewise accessible from the said thoroughfare.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Biñan City and its neighboring towns is available along Sta. Rosa–Tagaytay Road which is approximately 5.2 kilometers from the subject property. However, motorized tricycle is the immediate mode of transport plying in the area. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

### **V. LAND DATA**

The land subject for appraisal consists of two (2) sites, technically identified as follows:

#### **Site 1**

The land is technically identified as Lot 1-B, containing an area of 11,929 square meters, more or less. It is covered by Transfer Certificate of Title No. 624096 issued by the Registry of Deeds for the Calamba City in favor of the **TECHNOPARK LAND, INC.**

**Site 2**

The land consists of three (3) contiguous lots, containing an aggregate area of 86,250 square meters, technically identified as under:

Lot Nos.	TCT Nos.	Area (sq.m.)
Lot 3/Blk 1	624093	31,402
Lot 4/Blk 1	624094	31,401
Lot 3	624095	<u>23,447</u>
		<b>Total – 86,250 sq.m.</b>

The above Transfer Certificates of Titles were all issued by the Registry of Deeds for Calamba City in favor of the **TECHNOPARK LAND, INC.**

No Transfer Certificate of Title, land data was based on the tax declaration provided to us by the client.

For both sites, the terrain of the land is generally flat, elevations are at grade with the fronting avenues.

**Government Assessment**

BIR Zonal Value of Real Property within Barangay Biñan, Biñan City, Laguna as per Department Order No. 032-2019, effective 13 June 2019:

Vicinity	Classification	5 <sup>th</sup> Revision Zonal Value (Php/sq.m.)
Laguna Techno Park	Industrial	8,000

**VI. ON IMPROVEMENTS**

The subject lots are improved with buildings and other land improvement presently occupied by Integrated Micro-Electronics, Inc.-Global Manufacturing. However, as per appraisal agreement, these improvements shall not be included in the valuation. Hence, the land is appraised as if vacant.

**VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that an **existing mixed-use, office and commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php90,274,118 for land lease in consideration of the prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 3.0% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.78% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)														
LAGUNA TECHNOPARK														
STATISTICS														
	Estimated Leasable Area				Ave. Lease Rate on Yr. 1									
	Office Space	86,250.00	sq.m.		Php1,047/sq.m./yr.									
Discount Rate		9.78%												
Average Growth Rate		3.00%												
Terminal Capitalization Rate		6.78%												
Present Worth Factor				0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	
			Year	1	2	3	4	5	6	7	8	9	10	Totals
GROSS REVENUES			Escalation	-	5.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Office Spaces				-	-	-	-	-	-	-	-	-	-	
Retails				-	-	-	-	-	-	-	-	-	-	
Parking Slots				-	-	-	-	-	-	-	-	-	-	
plus: Dues - Net				-	-	-	-	-	-	-	-	-	-	
Total Annual Revenues				-	-	-	-	-	-	-	-	-	-	-
LESS:														
Vacancy Rate (incl. bad debts)		of gross revenues		-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)				90,274,118	94,787,824	99,527,215	104,503,576	109,728,754	113,020,617	116,411,236	119,903,573	123,500,680	127,205,700	1,098,863,292
LESS: OPERATING EXPENSES		Php(000)												
Direct Operating Expenses														
Outside services				-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance				-	-	-	-	-	-	-	-	-	-	-
Miscellaneous				-	-	-	-	-	-	-	-	-	-	-
Land lease				-	-	-	-	-	-	-	-	-	-	-
Building lease				-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses				5,141,371	5,270,334	5,405,746	5,547,927	5,398,636	5,560,596	5,727,413	5,899,236	6,076,213	6,258,499	56,285,972
Management fees				4,197,104	4,332,515	4,474,696	4,325,406	4,467,232	4,601,249	4,739,286	4,881,465	5,027,909	5,178,746	46,225,607
Insurance				-	-	-	-	-	-	-	-	-	-	-
Others				-	-	-	-	-	-	-	-	-	-	-
				9,338,475	9,602,849	9,880,442	9,873,333	9,865,868	10,161,844	10,466,700	10,780,701	11,104,122	11,437,245	102,511,579
General Administrative Expenses				-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures				2,708,224	2,843,635	2,985,816	3,135,107	3,291,863	3,390,619	3,492,337	3,597,107	3,705,020	3,816,171	32,965,899
Total				12,046,698	12,446,484	12,866,258	13,008,440	13,157,731	13,552,463	13,959,037	14,377,808	14,809,142	15,253,416	135,477,478
NET INCOME				78,227,419	82,341,340	86,660,956	91,495,135	96,571,023	99,468,154	102,452,199	105,525,765	108,691,538	111,952,284	963,385,814
ADD: Reversion Value (Resale Value)														1,699,698,778
LESS: Marketing Cost	0.00%	of Resale Value												0
Net Reversion Value														1,699,698,778
Present Worth Factor @	9.78%	discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319	0.39319
Present Worth of Net Income				71,255,631	68,318,496	65,494,379	62,985,233	60,554,686	56,812,666	53,301,886	50,008,057	46,917,773	44,018,456	579,667,264
Present Worth of Net Reversion Value														668,303,612
Total Present Value of Net Income					579,667,264									
Present Worth of Net Reversion Value					668,303,612									
Total					1,247,970,876									
Market Value of Property (building and its facilities)			PhP		1,247,970,876									
Rounded to			PhP		1,247,971,000									

On the basis of the foregoing, the market value of land only using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,247,971,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **Ayala Triangle Gardens Tower 2**

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

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 24 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data, and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form, and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:**  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

24 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-027**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **AREIT, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **Ayala Triangle Gardens Tower 2 and its facilities**, located **Paseo de Roxas corner Makati Avenue, within Barangay Bel-Air, Salcedo Village, Makati City, Metro Manila**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market conditions, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **THIRTEEN BILLION NINE HUNDRED FIFTY-FOUR MILLION TWO HUNDRED TWENTY-NINE THOUSAND (Php13,954,229,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoar

CMT:asu

CAI File No. 12-2024-1132-027

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-027**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain real property located within Barangay Bel-Air, Salcedo Village, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free, and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the clients, the appraised property is the **Ayala Triangle Gardens Tower 2**, located **Paseo de Roxas corner Makati Avenue**, within **Barangay Bel-Air, Salcedo Village, Makati City, Metro Manila**.

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

Paseo de Roxas and Makati Avenue are both 20 meters wide. These are concrete paved with asphalt overlay, provided concrete sidewalks, concrete curbs and gutters, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in Legaspi Village, one of the fifteen (15) classified areas representing the Makati Central Business District (MCBD). Legaspi Village is a well-planned area developed and fully improved with multi-storey office/residential and

commercial condominiums strategically located near several first-class residential, commercial, and light-industrial villages of Makati City.

Since the early 80's Legaspi Village has already by-word for choice office/residential sites that cater to multi-national and big local companies, and the elite populace as well. Its easy accessibility to different business/commercial centers of Makati somehow adds premium to its property value. The presence of Asian Institute of Management has firmly established its reputation as one of the best regulated real estate sites in Metro Manila.

To ensure traffic decongestion, most of the streets of Legaspi Village are designed as one-way vehicular traffic. Pay for parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

- Makati Medical Center
- Asian Institute of Management
- Ayala North Exchange Plaza
- RCBC Plaza – Yuchengco Tower
- Paseo Center
- BDO Towers Valero
- Malaysian Embassy
- Prince Tower
- Makati Sports Club
- Crown Regency
- Ateneo De Manila University (Salcedo Campus)
- One Salcedo Place
- Jaime C. Velazquez Park

Glorieta, SM City – Makati, Greenbelt Center and Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the Ayala Avenue by public transportation.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

Electric power, water supply and telecommunication facilities are available at the subject office building.

Public transportation connecting to various sections of Makati City as well as to other parts of Metro Manila is available along Ayala Avenue which is approximately 300 meters from the subject office building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

## **V. DESCRIPTION OF THE SUBJECT PROPERTY**

### **Ayala Triangle Gardens Tower 2**

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

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

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

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

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

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

## **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that an **existing mixed-use, office/commercial** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization, and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation, and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis, and discounted cash flow. For the purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php1,340,820,186 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 9.78% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 7.78% (discount rate less growth

Discounted Cash Flow Analysis (in PhP) AYALA TRIANGLE GARDENS TOWER 2														
<b>STATISTICS</b>														
Gross Leasable Area	63,150	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	7.28%													
Discount Rate	9.78%													
Present Worth Factor			0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		
		Year	1	2	3	4	5	6	7	8	9	10	Totals	11
<b>GROSS REVENUES</b>		Escalation	-	13.21%	4.14%	4.00%	3.74%	2.00%	2.00%	2.00%	2.00%	2.00%		2.50%
Office Spaces			-	-	-	-	-	-	-	-	-	-		
Retails			-	-	-	-	-	-	-	-	-	-		
Parking Slots			-	-	-	-	-	-	-	-	-	-		
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-		
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			1,340,820,186	1,517,933,251	1,580,746,679	1,643,979,366	1,705,420,124	1,739,528,526	1,774,319,097	1,809,805,479	1,846,001,588	1,882,921,620	16,841,475,917	1,929,994,661
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			29,176,020	30,343,061	31,556,783	32,819,055	34,131,817	34,814,453	35,510,742	36,220,957	36,945,376	37,684,284		
Repairs and maintenance			35,341,860	36,755,534	38,225,756	39,754,786	41,344,978	42,171,877	43,015,315	43,875,621	44,753,133	45,648,196		
Miscellaneous			6,086,327	6,329,780	6,582,972	6,846,291	7,120,142	7,262,545	7,407,796	7,555,952	7,707,071	7,861,212		
Land lease			125,578,038	139,044,828	144,532,322	150,015,521	155,329,748	158,436,343	161,605,070	164,837,171	168,133,915	171,496,593		
Building lease			-	-	-	-	-	-	-	-	-	-		
Taxes and licenses			97,866,694	98,620,537	98,952,228	99,297,186	99,655,943	101,649,062	103,682,043	105,755,684	107,870,797	110,028,213		
Management fees			131,657,885	140,353,890	142,642,779	145,363,590	148,444,302	151,413,188	154,441,452	157,530,281	160,680,886	163,894,504		
Insurance			4,580,873	4,764,108	4,954,672	5,152,859	5,358,973	5,466,153	5,575,476	5,686,985	5,800,725	5,916,739		
Others			4,591,342	4,774,996	4,965,996	5,164,635	5,371,221	5,478,645	5,588,218	5,699,982	5,813,982	5,930,262		
			434,879,039	460,986,735	472,413,507	484,413,922	496,757,123	506,692,265	516,826,111	527,162,633	537,705,886	548,460,003	4,986,297,223	562,171,503
General Administrative Expenses			840,000	873,600	908,544	944,886	982,681	1,002,335	1,022,382	1,042,829	1,063,686	1,084,959	9,765,902	1,112,083
Capital Expenditures			37,017,193	42,129,295	43,782,745	45,432,681	47,028,063	47,968,624	48,927,997	49,906,557	50,904,688	51,922,782	465,020,625	53,220,851
Marketing Expenses	0.00% of gross revenues		0	0	0	0	0	0	0	0	0	0	0	-
<b>Total</b>			472,736,232	503,989,630	517,104,796	530,791,489	544,767,867	555,663,224	566,776,489	578,112,019	589,674,259	601,467,744	5,461,083,750	616,504,438
<b>NET INCOME</b>			868,083,954	1,013,943,621	1,063,641,884	1,113,187,877	1,160,652,257	1,183,865,302	1,207,542,608	1,231,693,460	1,256,327,329	1,281,453,876	11,380,392,167	1,313,490,223
<b>ADD: Reversion Value (Resale Value)</b>														18,032,061,350
<b>LESS: Marketing Cost</b>	0.00% of Resale Value													0
<b>Net Reversion Value</b>														18,032,061,350
Present Worth Factor @	9.78% discount rate		0.91088	0.82970	0.75575	0.68840	0.62705	0.57116	0.52026	0.47389	0.43166	0.39319		0.39319
<b>Present Worth of Net Income</b>			790,718,524	841,267,626	803,851,792	766,318,317	727,784,904	676,181,679	628,237,355	583,692,499	542,306,074	503,854,133	6,864,212,903	
<b>Present Worth of Net Reversion Value</b>														7,090,016,115
<b>Total Present Value of Net Income</b>														6,864,212,903
<b>Present Worth of Net Reversion Value</b>														7,090,016,115
<b>Total</b>														13,954,229,017
<b>Market Value of Property (building and its facilities)</b>		PhP												13,954,229,017
<b>Rounded to</b>		PhP												13,954,229,000

On the basis of the foregoing, the market value of Ayala Triangle Gardens Tower 2 (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php13,954,229,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **GREENBELT 3 AND 5**

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

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data, and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

## **Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## **Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices to undertake the work required. has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

## **CUERVO APPRAISERS, INC.**

***By:***

### **LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-028**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property consists of **buildings and other land improvements of Greenbelt 3 and 5, including its facilities**, located in **Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property, investigated local market conditions, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised based on the income approach (Discounted Cash Flow) as of **31 December 2024** is reasonably represented in the amount of **SEVEN BILLION FIFTY-FIVE MILLION SIXTY-SEVEN THOUSAND (Php7,055,067,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,  
**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**  
**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoar

CMT:asu

CAI File No. 12-2024-1132-028

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-028**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the appraised property is located **within Barangay San Lorenzo, Makati City, Metro Manila**.

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

Makati and Paseo de Roxas Avenues are 30 and 20 meters wide, respectively. Both are concrete paved with asphalted topping and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center-island, while Esperanza and Legaspi Streets are 10 and 12 meters wide, respectively. Both are concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

The property is located in Makati Central Business District (MCBD), a well-planned area developed and fully improved with multi-storey office residential condominiums strategically located near several first-class residential, commercial and light-industrial villages of Makati City.

Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 15 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

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

Ayala Center serves as the commercial and shopping center in the area. The property is located with Ayala Center. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are accessible from Makati Avenue and Paseo de Roxas Avenue.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City, as well as to the other parts of Metro Manila, is available along Ayala Avenue which is about 300 meters from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. DESCRIPTION OF IMPROVEMENTS**

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

##### **A. Buildings**

###### **Greenbelt 3**

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

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

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

The estimated remaining economic life is 24 years.

#### **Greenbelt 5**

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

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

The estimated remaining economic life is 27 years.

Note: Greenbelt Buildings 1 to 5 are interconnected.

#### ***B. Other Land Improvements***

These consist of driveways, walkways, and landscaping.

### ***VI. HIGHEST AND BEST USE***

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VII. VALUATION**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For the purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php409,983,768 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 7.88% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 5.38% (discount rate less growth

Discounted Cash Flow Analysis (in PhP) GREENBELT 3 AND 5															
STATISTICS															
Vacancy Rate (incl. bad debts)			- (ave.)												
Terminal Capitalization Rate		5.38330%													
Discount Rate		7.88330%													
Present Worth Factor				0.92693	0.85919	0.79641	0.73822	0.68427	0.63427	0.58792	0.54496	0.50514	0.46823		
			Year	1	2	3	4	5	6	7	8	9	10	Totals	11
GROSS REVENUES			Escalation -		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		2.50%
Office Spaces				-	-	-	-	-	-	-	-	-	-		
Retails				-	-	-	-	-	-	-	-	-	-		
Parking Slots				-	-	-	-	-	-	-	-	-	-		
PLUS:															
Dues - Net				-	-	-	-	-	-	-	-	-	-		
Total Annual Revenues				-	-	-	-	-	-	-	-	-	-	-	-
LESS:															
Vacancy Rate (incl. bad debts)	% of gross revenues			-	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues (EGR)				409,983,768	420,233,362	430,739,196	441,507,676	452,545,368	463,859,002	475,455,477	487,341,864	499,525,411	512,013,546	4,593,204,672	524,813,885
LESS: OPERATING EXPENSES															
Direct Operating Expenses															
Outside services				-	-	-	-	-	-	-	-	-	-		
Repairs and maintenance				-	-	-	-	-	-	-	-	-	-		
Miscellaneous				-	-	-	-	-	-	-	-	-	-		
Land lease				-	-	-	-	-	-	-	-	-	-		
Building lease				-	-	-	-	-	-	-	-	-	-		
Taxes and licenses				6,607,092	3,097,258	3,136,349	3,175,941	3,216,040	3,296,441	3,378,852	3,463,323	3,549,906	3,638,654		
Management fees				16,518,216	16,429,868	16,324,389	16,200,434	16,056,561	16,457,975	16,869,424	17,291,160	17,723,439	18,166,525		
Insurance				-	-	-	-	-	-	-	-	-	-		
Others				-	-	-	-	-	-	-	-	-	-		
				23,125,308	19,527,126	19,460,739	19,376,375	19,272,601	19,754,416	20,248,276	20,754,483	21,273,345	21,805,179	204,597,846	22,350,308
General Administrative Expenses				-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures				12,299,513	12,607,001	12,922,176	13,245,230	13,576,361	13,915,770	14,263,664	14,620,256	14,985,762	15,360,406	137,796,140	15,744,417
Marketing Expenses	0.00%	of gross revenues		0	0	0	0	0	0	0	0	0	0	0	-
Total				35,424,821	32,134,127	32,382,914	32,621,605	32,848,962	33,670,186	34,511,940	35,374,739	36,259,107	37,165,585	342,393,987	38,094,725
NET INCOME				374,558,947	388,099,235	398,356,282	408,886,071	419,696,407	430,188,817	440,943,537	451,967,126	463,266,304	474,847,961	4,250,810,685	486,719,160
ADD: Reversion Value (Resale Value)															9,041,278,774
LESS: Marketing Cost	0.00%	of Resale Value													0
Net Reversion Value															9,041,278,774
Present Worth Factor @	7.88330%	discount rate		0.92693	0.85919	0.79641	0.73822	0.68427	0.63427	0.58792	0.54496	0.50514	0.46823		0.46823
Present Worth of Net Income				347,188,996	333,452,780	317,255,385	301,846,001	287,186,578	272,856,172	259,240,843	246,304,909	234,014,469	222,337,313	2,821,683,445	
Present Worth of Net Reversion Value															4,233,383,725
Total Present Value of Net Income					2,821,683,445										
Present Worth of Net Reversion Value					4,233,383,725										
Total					7,055,067,170										
Market Value of Property (building and its facilities)				PhP	7,055,067,170										
Rounded to				PhP	7,055,067,000										

On the basis of the foregoing, the market value of the property Greenbelt 3 & 5 (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php7,055,067,000.**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **Holiday Inn & Suites Makati**

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

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) the Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices to undertake the work required. has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Financial Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-029**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

The appraised property consists of a **building and its facilities, of the Holiday Inn and Suites Makati**, located **along Palm Drive within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market conditions, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character, and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2024** is reasonably represented in the amount of **THREE BILLION FOUR HUNDRED FORTY-THREE MILLION FOUR HUNDRED SIXTY-NINE THOUSAND (Php3,443,469,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

By:



**CARMELA M. TORBELA**

**Department Manager - Real Estate**

Real Estate Appraiser

PRC Registration Number: 0004270

Valid Until: 10/04/2025

IPREA Membership No. 1001

PTR No. 2784119

13 January 2025

City of Bacoor

CMT:asu

CAI File No. 12-2024-1132-029

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-029**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided by the clients, the appraised property is the **Holiday Inn & Suites Makati**, located **along Palm Drive, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

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

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

### ***III. NEIGHBORHOOD DATA***

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

The Ayala Center is a recreational, shopping, dining, and entertainment development located in the heart of Makati. It is bounded by Ayala Avenue, Dela Rosa Street, and Legazpi Street to the north, Epifanio de los Santos Avenue (EDSA) to the east, Arnaiz

Avenue to the south, and to the west by Paseo de Roxas. The Ayala station of MRT Line 3 serves the area.

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

To ensure traffic decongestion, most of the streets within Ayala Center are designed as one-way vehicular traffic. Pay parking along its principal streets is also being implemented.

Generally, the roads in the neighborhood follow a gridiron pattern designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 50 meters, and lighted with streetlights.

Some of the important improvements in the vicinity are:

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

Glorietta Malls, SM Makati, and The Landmark serve as the commercial and shopping centers in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from Palm Drive by taxicab.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available in One Ayala Terminal which is approximately 500 meters from the subject hotel building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are jointly maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

#### **V. LAND DATA**

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

Attached is the location plan of the property.

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

## **VI. DESCRIPTION OF THE IMPROVEMENTS**

### **Holiday Inn & Suites Makati**

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

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

This is equipped with 100% backup generators; high-speed designated to hotel specifications; provisions of two (2) data and Telecom Providers; independent integrated fire alarm and monitor sprinkler system; fully integrated security and access control systems as per hotel standards; fully integrated building management systems for monitoring the various support systems; and seismic device monitoring system among others. The total floor area is 27,391 square meters.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing utility, as hotel** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

### **By Income Approach**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation, and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php199,679,067 including dues-net.
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 3.0% per year of effective gross revenue;
6. Discount rate is estimated at 7.88% using the weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 5.38% (discount rate less growth

Discounted Cash Flow Analysis (in PhP) HOLIDAY INN AND SUITES MAKATI														
<b>STATISTICS</b>														
Floor Area	27,391	sq.m.												
Vacancy Rate (incl. bad debts)	-	(ave.)												
Terminal Capitalization Rate	5.38330%													
Discount Rate	7.88330%													
Present Worth Factor			0.92693	0.85919	0.79641	0.73822	0.68427	0.63427	0.58792	0.54496	0.50514	0.46823		
	<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>	
<b>GROSS REVENUES</b>	Escalation -		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		2.50%	
Office Spaces	-	-	-	-	-	-	-	-	-	-	-	-	-	
Retails	-	-	-	-	-	-	-	-	-	-	-	-	-	
Parking Slots	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>PLUS:</b>														
Dues - Net	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Annual Revenues</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)	% of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Effective Gross Revenues (EGR)</b>		199,679,067	204,671,044	209,787,820	215,032,515	220,408,328	225,918,536	231,566,500	237,355,662	243,289,554	249,371,793	2,237,080,820	255,606,088	
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services	-	-	-	-	-	-	-	-	-	-	-	-	-	
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	
Land lease	-	-	-	-	-	-	-	-	-	-	-	-	-	
Building lease	-	-	-	-	-	-	-	-	-	-	-	-	-	
Taxes and licenses	2,984,346	1,455,849	1,474,423	1,493,240	1,512,305	1,550,113	1,588,865	1,628,587	1,669,302	1,711,034				
Management fees	7,686,746	7,640,026	7,585,481	7,522,536	7,450,577	7,636,841	7,827,762	8,023,456	8,224,043	8,429,644				
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
	10,671,093	9,095,875	9,059,904	9,015,776	8,962,882	9,186,954	9,416,628	9,652,044	9,893,345	10,140,678	95,095,178	10,394,195		
General Administrative Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Expenditures	5,990,372	6,140,131	6,293,635	6,450,975	6,612,250	6,777,556	6,946,995	7,120,670	7,298,687	7,481,154	67,112,425	7,668,183		
Marketing Expenses	0.00% of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total</b>		16,661,465	15,236,006	15,353,539	15,466,752	15,575,132	15,964,510	16,363,623	16,772,713	17,192,031	17,621,832	162,207,603	18,062,378	
<b>NET INCOME</b>		183,017,603	189,435,037	194,434,281	199,565,764	204,833,196	209,954,026	215,202,877	220,582,949	226,097,523	231,749,961	2,074,873,217	237,543,710	
<b>ADD: Reversion Value (Resale Value)</b>													4,412,603,975	
<b>LESS: Marketing Cost</b>	0.00% of Resale Value												0	
<b>Net Reversion Value</b>													4,412,603,975	
Present Worth Factor @ 7.88330% discount rate		0.92693	0.85919	0.79641	0.73822	0.68427	0.63427	0.58792	0.54496	0.50514	0.46823		0.46823	
<b>Present Worth of Net Income</b>		169,644,053	162,761,567	154,849,630	147,322,523	140,161,659	133,167,692	126,522,719	120,209,325	114,210,965	108,511,919	1,377,362,053		
<b>Present Worth of Net Reversion Value</b>													2,066,106,611	
<b>Total Present Value of Net Income</b>			1,377,362,053											
<b>Present Worth of Net Reversion Value</b>			2,066,106,611											
<b>Total</b>			3,443,468,664											
<b>Market Value of Property (building and its facilities)</b>	PhP		3,443,468,664											
<b>Rounded to</b>	PhP		3,443,469,000											

On the basis of the foregoing, the market value of the **Holiday Inn and Suites Makati** (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php3,443,469,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **SEDA AYALA CENTER CEBU**

Located in  
**Cebu Business Park**  
**Barangay Hipodromo, Cebu City**

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-030**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the *market value* of the property intended for corporate use as of **31 December 2024**.

The appraised property is the **Seda Ayala Center Cebu building and its facilities**, located **along Cardinal Rosales Avenue, Cebu Business Park, Barangay Hipodromo, Cebu City**.

The term **Market Value**, as used herein is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised based on income approach (Discounted Cash Flow) as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION SIX HUNDRED EIGHTY MILLION FOUR HUNDRED SIXTY THOUSAND (Php1,680,460,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVS:asu

CAI File No. 12-2024-1132-030

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 12-2024-1132-030

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Cebu Business Park, Barangay Hipodromo, Cebu City. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

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

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

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

### ***III. NEIGHBORHOOD DATA***

The Cebu Business Park (CBP) is a 50-hectare master planned development. Cebu Holdings, an affiliate of Ayala Land, is currently responsible for the development of Cebu Business Park. Integrating business, residential, sports, recreation and leisure facilities, the centerpiece of the business park is the 9-hectare Ayala Center Cebu shopping mall, which draws 60,000 shoppers daily.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in Cebu Business Park are:

- Ayala Center Cebu
- WT Corporate Tower
- Lexmark Plaza
- Kepwealth Center Cebu (formerly Keppel Center)
- Pioneer House Cebu
- City Sports Club
- Cebu Holdings Center

Ayala Center – Cebu and SM City – Cebu serve as the commercial and shopping centers in the area. These are accessible from the property by taxicab and motorcycle, locally known as habal-habal. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are accessible from the property.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Cebu City as well as to the other parts of Metro Cebu is available along Cardinal Rosales Avenue where the property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. LAND DATA**

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

Attached is the location plan of the property.

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

## **VI. DESCRIPTION OF IMPROVEMENTS**

### **Seda Hotel (Ayala Center Cebu)**

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

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

This is equipped with 100% back-up generators; high-speed designated to hotel specifications; provisions of two (2) data and Telecom Providers; independent integrated fire alarm and monitor sprinkler system; fully integrated security and access control systems as per hotel standards; fully integrated building management systems for monitoring the various support systems; and seismic device monitoring system among others. The total floor area is 13,579-square meters.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing utility, as hotel** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

### **By Income Approach**

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodelling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php104,352,918 for hotel rooms accommodation and other services revenues in consideration of prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 2.50% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures over 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 7.88% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 5.38% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.



**Cuervo Appraisers, Inc.®**  
ASSET VALUATION SOLUTIONS

On the basis of the foregoing, the market value of the Seda Hotel Ayala Center Cebu (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,680,460,000**.

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

### **ZAMBALES PROPERTY**

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

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 20 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

20 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-031**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain property exhibited to us by the **AREIT, INC.** for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **31 December 2024**.

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

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

We personally inspected the property, investigated local market condition and gave consideration to the –

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach (Discounted Cash Flow) appraised as of **31 December 2024** is reasonably represented in the amount of **SIX BILLION EIGHT HUNDRED FIFTY-SEVEN MILLION FOUR HUNDRED TWENTY-FOUR THOUSAND (Php6,857,424,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. ANGELO V. SAN ANTONIO**  
**Senior Real Estate Manager**  
PRC Registration Number: 0000407  
Valid Until: 05/10/2026  
IPREA Membership No. 1024  
PTR No. 3346304  
10 January 2025  
City of Malolos

AVS:asu

**CAI File No. 12-2024-1132-031**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-031**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located in Zambales Property. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client and as shown to us by the client's representative, the appraised property is designated as Zambales Property, located **along Palauig-Tapulao Jump-Off Road in Salaza and Bulawen, Palauig, Zambales Property**.

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

The orientation of the site, as inspected, appears to conform to the lot plan as plotted based on the technical description appearing in the titles.

### ***III. NEIGHBORHOOD DATA***

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

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with mercury arc lamps.

Some of the important improvements in the vicinity are:

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

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

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

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

#### **V. LAND DATA**

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

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

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

6	4	(LRC) Psd-341311	044-2023004323	33,261	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
1	5	(LRC) Psd-341311	(T-36109) 044-2022003576	31,235	<b>JOHNNY S. OCA, SR., married to Angelita Oca, ET AL</b>
2	5	(LRC) Psd-341311	(T-34479) 044-2022003551	10,393	<b>SPOUSES EMMANUEL M. BASABAS AND LIDUVINA VALDIVIA BASABAS</b>
3	5	(LRC) Psd-341311	(T-36108) 044-2022003575	10,207	<b>VIRGILIO C. MANGUERA, married to Consuelo Manguera</b>
4	5	(LRC) Psd-341311	044-2023002935	10,025	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
5	5	(LRC) Psd-341311	044-2023004014	9,840	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
6	5	(LRC) Psd-341311	044-2023004016	9,658	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
7	5	(LRC) Psd-341311	044-2023003984	10,308	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
9	5	(LRC) Psd-341311	044-2023004015	9,196	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
10	5	(LRC) Psd-341311	044-2023004098	9,544	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
11	5	(LRC) Psd-341311	(T-36015) 044-2022003568	10,375	<b>IGUAL DEVELOPMENT CORPORATION</b>
12	5	(LRC) Psd-341311	(T-36016) 044-2022003569	11,803	<b>IGUAL DEVELOPMENT CORPORATION</b>
13	5	(LRC) Psd-341311	(T-36017) 044-2022003570	10,261	<b>IGUAL DEVELOPMENT CORPORATION</b>
14	5	(LRC) Psd-341311	044-2023004094	10,351	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
15	5	(LRC) Psd-341311	044-2023004096	11,142	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
16	5	(LRC) Psd-341311	044-2023003841	11,243	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
17	5	(LRC) Psd-341311	044-2023003842	11,345	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
Road Lot 1		(LRC) Psd-341311	044-2023004333	15,508	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
Road Lot 2		(LRC) Psd-341311	(T-35716) 044-2022003561	5,159	<b>CECILE O. LACSON, married to Jose Carlos Lacson</b>
Road Lot 3		(LRC) Psd-341311	(T-35717) 044-2022003562	3,594	<b>CECILE O. LACSON, married to Jose Carlos Lacson</b>
Road Lot 4		(LRC) Psd-341311	(T-35718) 044-2022003563	8,564	<b>CECILE O. LACSON, married to Jose Carlos Lacson</b>
4		(LRC) Psd-341970	044-2023004325	121,399	<b>BUENDIA CHRISTIANA HOLDINGS CORP.</b>
4362-B		Csd-03-001403-D	P-7194	103,617	<b>ANDRES A. DE LA ROSA</b>
4464-B		Psd-03-098538	C-T-2875	25,089	<b>MELCHOR B. DELA ROSA</b>
4464-A		Psd-03-098538	C-T-2874	25,090	<b>ROSENDO B. DELA ROSA</b>
4349-A		Psd-03-098541	C-T-4789	24,874	<b>MA. THERESA B. DELA ROSA</b>
4466		Cad 364-D	C-O-3155	29,140	<b>ESTRELLA R. Dumlao</b>
4348-C		Csd-03-001599-D	CLOA-T-1384	209,107	<b>RICARDO DEL FIERRO, ET AL</b>
4348-B		Csd-03-001599-D	CLOA-O-2400	237,345	<b>DAN RODILLO, ET AL</b>
4351		Csd-364-D	T-34763	108,800	<b>DANTE RODILLO, ET AL</b>
4639-A		Psd-03-098540	C-T-4787	24,079	<b>BASILIO B. DELA ROSA</b>
4639-B		Psd-03-098540	C-T-4788	24,080	<b>EDWIN L. DELA ROSA</b>
4348-A		Csd-03-001599-D	C-O-3199	236,179	<b>JASMINE R. DELA ROSA, ET AL</b>
4349-B		Psd-03-098541	C-T-4790	24,873	<b>LUIS B. DELA ROSA</b>
4468		Cad 364-D	C-T-2894	79,385	<b>SHERWIN R. Dumlao, ET AL</b>
4362-A		Csd-03-001403-D	CLOA-T-1506	234,959	<b>SAMUEL DELA ROSA, ET AL</b>
<b>Total Area -</b>				<b>2,759,135</b>	<b>sq.m.</b>

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

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

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

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

### **Government Assessment**

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

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

### **VI. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that an **industrial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

### **VII. VALUATION**

#### **By Income Approach – Discounted Cash Flow**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable

rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For the purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php482,355,843 for land lease in consideration of prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 1.50% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax

and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;

5. The average capital expenditures over 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 7.88% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 6.38% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.



**Cuervo Appraisers, Inc.®**  
ASSET VALUATION SOLUTIONS

On the basis of the foregoing, the market value of the property (land only) using the Discounted Cash Flow Analysis, is represented in the amount of **Php6,857,424,000.**

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
***AREIT, INC.***

### **SEDA LIO HOTEL**

Located in  
**Lio Tourism Estates**  
**Barangay Villa Libertad**  
**El Nido, Palawan**

23 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 23 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

## Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### CUERVO APPRAISERS, INC.

By:



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

13 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

**MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-032**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain property exhibited to us by **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate as of **31 December 2024**.

The appraised property consists of **buildings and related facilities of Seda Lio Hotel**, located in **Lio Tourism Estates, Barangay Villa Libertad, El Nido, Palawan**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;

Capitalization rate;

Extent, character and utility of the property;

Lease/Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property using income approach appraised as of **31 December 2024** is reasonably represented in the amount of **ONE BILLION SIX HUNDRED THIRTY EIGHT MILLION FOUR HUNDRED SEVENTY SIX THOUSAND (Php1,638,476,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

*By:*



**ENGR. ANGELO V. SAN ANTONIO**

**Senior Real Estate Manager**

PRC Registration Number: 0000407

Valid Until: 05/10/2026

IPREA Membership No. 1024

PTR No. 3346304

10 January 2025

City of Malolos

AVSasu

**CAI File No. 12-2024-1132-032**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-032**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of a certain real property located within Lio Tourism Estates, Barangay Villa Libertad, El Nido, Palawan. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or a liability should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the documents provided to us by the client, the property is identified as the **Seda Lio Hotel**, located in **Lio Tourism Estates, Barangay Villa Libertad, El Nido, Palawan**.

The site of Seda Lio Hotel is located on the northwest side of Kalye Kantino extending westward to El Nido Bay, approximately 1.20 kilometers on the northeast side of El Nido Airport; 1.50 kilometers northwest of National Highway; 2.30 kilometers northwest of Villa Libertad Barangay Hall; and about 7.50 kilometers north of the town center of El Nido.

Kalye Kantino is 6.0 meters wide, concrete paved and provided with concrete curbs and gutters, and underground drainage.

### ***III. NEIGHBORHOOD DATA***

Seda Lio Hotel is located in El Nido, a 1st class municipality in the province of Palawan. It is about 420 kilometers south-west of Manila, and 269 kilometers north-east of Puerto Princesa City, capital of Palawan. A managed resource protected area, it is known for its white-sand beaches, coral reefs, and limestone cliffs, as well as for being the gateway to the Bacuit Archipelago.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 6 to 12 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Lio Beach  
Kalye Artisano  
Isla Amara Boutique Resort  
Balai Adlao  
El Nido Airport  
Lio Wetland  
Villa Libertad Barangay Hall

The commercial establishments in Barangay Suerte serve as the shopping, commercial and marketing needs of the residents in the area. These are accessible along the National Highway by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

#### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Palawan is available along the National Highway which is approximately 1.50 kilometers from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

#### **V. LAND DATA**

No copy of any documents pertaining to land was provided to us.

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

#### **VI. DESCRIPTION OF IMPROVEMENTS**

The land is improved with buildings describe as on the next page:

## **Buildings**

### **Seda Lio Hotel (Buildings A to D)**

These are three (3)-storey, reinforced concrete-framed buildings with roof deck, having reinforced concrete stainless steel, reinforced concrete with water proofing membrane and pre-painted rib type long span iron sheet roof on steel frame roofing; abaca attached on gypsum board and fibered cement board tray ceilings; cement plastered and rough cement finish concrete hollow block and glass on powder coated aluminum frame walls; cement plastered concrete hollow blocks partitions; double leaf emergency doors, laminated wood panel, glass on powder coated aluminum frame, swing glass and steel doors; iron grill and stainless steel railings; sand blast floor finishes on stairs; non-slip homogenous tile finish floor to walls at comfort rooms; wooden plank, marble, granite tile and ceramic tile finished concrete floors.

These are painted and provided with firefighting and alarm systems, centralized air conditioning, CCTV cameras, water supply system, electrical, plumbing and telecommunication facilities. Total floor area is approximately 17,680 square meters.

The buildings are built in year 2018.

Estimated remaining economic life is 44 years.

*Note: The estimated remaining economic life of the building is based on 50-year total life of the building less 5-year actual age.*

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization, and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For the purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

### **Discounted Cash Flow Analysis**

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. The total projected effective gross revenue on year 1 is estimated at Php96,988,944 for hotel room accommodation and other revenues in consideration of prevailing market lease rates, lease contracts, vacancy and bad debts, forecast and historical data;
3. The growth rate of the gross revenue is estimated at 2.50% per year;
4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include

outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;

5. The average capital expenditures over 10-year projection is 3% per year of effective gross revenue;
6. Discount rate is estimated at 7.88% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 5.38% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Fair Value of the Property.


**Cuervo Appraisers, Inc.**  
 ASSET VALUATION SOLUTIONS

On the basis of the foregoing, the market value of the Seda Lio Hotel (building and related facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php1,638,476,000.**

## **MARKET VALUE APPRAISAL**

Property exhibited to us by the  
***AREIT, INC.***

**(Marquee Mall – Pampanga)**

Located in  
**Barangay Pulung Maragul, Angeles City  
Pampanga**

27 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 27 January 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

**Representations**

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices, has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

**CUERVO APPRAISERS, INC.****By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2026

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 3040621

06 January 2025

City of Pasig

27 January 2025

**AREIT, INC.**

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

Attention : **MS. MYRRA FAMY**  
Chief Finance Officer

Thru : **MS. BEVS ESPINA**  
Finance Manager

Subject : **CAI File No. 12-2024-1132-023**  
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised a certain real property exhibited to us by the **AREIT, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as **31 December 2024**.

The appraised property consists of **building only (Marquee Mall – Pampanga)**, located **within Barangay Pulung Maragul, Angeles City, Pampanga**.

The term **Market Value**, as used herein, is defined as:

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

Income Approach as a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease/Rental rates of the property,

Extent, character, and utility of the property, and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **31 December 2023** is reasonably represented in the amount of **TWO BILLION EIGHT HUNDRED SEVENTY-SEVEN MILLION NINE HUNDRED THIRTY-FOUR THOUSAND (Php2,877,934,000) PESOS.**

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

**WE CERTIFY** that we have neither present nor prospective interest in the appraised property or in the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

  
**ENGR. EMMANUEL P. LEGASPI**  
**Real Estate Appraiser**

PRC Registration Number: 0000087

Valid Until: 12/06/2025

IPREA Membership No. 847

PTR No. 3974160

06 January 2025

City of Dasmarinas

EPL:agd:mfm

**CAI File No. 12-2024-1132-023**

***LIMITING CONDITIONS***

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

**CAI File No. 12-2024-1132-023**

## NARRATIVE REPORT

### ***I. GENERAL***

This report covers an appraisal of certain real property located within Barangay Pulung Maragul, Angeles City, Pampanga. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **31 December 2024**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

### ***II. PROPERTY LOCATION AND IDENTIFICATION***

Based on the said previous appraisal report, the appraised property is identified as the site of **Marquee Mall**, located **on the north corner of the North Luzon Expressway (NLEX) – Angeles Exit Road and Don Aniceto Gueco Avenue, Barangay Pulung Maragul, Angeles City, Pampanga**.

The property is across the Infinity Subdivision, Angeles City Hall Complex and Marquee Residences, approximately 100 meters southwest from the North Luzon Expressway (NLEX); 1.22 kilometers northeast from Jose P. Dizon Elementary School; 2.8 kilometers northeast from Puregold Pandan; 2.96 kilometers northeast from Saint Ignacio Subdivision; and about 3.75 kilometers northeast from the interchange of MacArthur Highway and Pandan Road.

NLEX-Angeles Exit Road and Don Aniceto Gueco Avenue are 30 and 20 meters wide, respectively. Both are concrete with asphalt overlay paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center-island.

The configuration of the site, as inspected, appears to conform to the lot plan as plotted based on the technical description appearing in the titles.

### **III. NEIGHBORHOOD DATA**

The property is in an area where land development is of mixed residential and commercial use.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are asphalt paved, with widths ranging from 15 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are:

Angeles City Hall Complex  
 Marquee Residences  
 The Infinity Subdivision  
 Pulong Maragul Barangay Hall  
 Toyota – Angeles Pampanga, Inc.  
 Marquee Place Club House  
 Marquee Place Subdivision  
 Santa Maria Village 2  
 Angeles City National High School  
 Forest Park Homes North  
 Santa Teresita Elementary School

Puregold Pandan, SM City – Clark, Savers Mall and Robinsons Place Angeles serve the shopping needs of the residents in the area. These are accessible from Pandan Road by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

### **IV. COMMUNITY FACILITIES AND UTILITIES**

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

Public transportation connecting to various sections of Angeles City and nearby towns is available along Pandan Road. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

### **V. LAND DATA**

Based on the said appraisal report, the land consists of two (2) adjoining lots, containing an aggregate area of 54,862 square meters, technically identified as follows:

<b>Lot Nos.</b>	<b>Survey Nos.</b>	<b>TCT Nos.</b>	<b>Area (sq.m.)</b>
1-A	Psd-03-170696	174000	12,395
1-C	Psd-03-170696	174001	<u>42,467</u>
			<b>Total - 54,862 sq.m.</b>

The above certificates of title were issued by the Registry of Deeds for Angeles City in favor of the **NORTHBEACON COMMERCIAL CORPORATION**.

The land, in its entirety, is bounded by the following properties:

Northeast	-	Lots 2, Pcs-03-014540 and 2-C, Psd-03-126460
Southeast	-	NLEX –Angeles Exit Road (Lot 5, Pcs-03-011411 and Lot 1-D)
Southwest	-	Don Anceto Gueco Avenue (Lot 5, Pcs-03-011411, Lot 1-B, and Lot 2-D, Psd-03-126460)
Northwest	-	Lots 1-A and 1-B

Attached is a plan of the property as plotted based on technical description appearing in the titles furnished to us by the client. As shown, the land is irregular in shape.

The terrain of the land is flat, uniform and at grade with the fronting roads.

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

#### **VI. DESCRIPTION OF IMPROVEMENT**

The land is improved with a building described as under:

##### **Marquee Mall Building**

This is three (3)-storey of reinforced concrete frame and foundation, floors and stairs, and partly roof deck, of pre painted ribbed type long span metal sheet on steel frame and reinforced concrete slab roof with water proofing membrane; fiber cement board, aluminum spandrel and acoustic board on aluminum T-runner ceilings; concrete hollow block with plastered cement, stone deco, partly with granite tile and partly gypsum board with aluminum composite panel cladding interior and plastered cement and aluminum composite panel exterior finished walls; cement plastered concrete hollow block and glass panel partitions; glass on powder coated aluminum frame and concrete and steel louver type windows; steel and wood panel, plywood, PVC panel and metal flush, frameless glass and glass on powder coated aluminum panel doors; and homogenous tile, granite tile, vinyl tile, ceramic tile, carpet, steel plate, plain cement and rubberized epoxy paint finished floors.

The building is painted and complete with machinery and equipment as described in a separate cost approach valuation report. Total floor area is approximately 64,888 square meters, allocated as follows:

<b>Floor Level</b>	<b>Area (sq.m.)</b>
Ground	29,120
Second	22,880
Third	<u>12,888</u>
<b>Total</b>	<b>- 64,888 sq.m.</b>

Estimated remaining economic life is 30 years.

## **VII. HIGHEST AND BEST USE**

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

**Highest and Best Use** is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

## **VIII. VALUATION**

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

### **Income Capitalization Approach**

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

### **Discounted Cash Flow (DCF) Analysis**

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. Cash Flow is projected over a 10-year period;
2. The projected effective gross revenue on year 1 is estimated at Php171,893,848 including dues-net;
3. The average growth rate of the effective gross revenue over 10-year projection is 2.5% per year;

4. Operating expenses consider direct operating expenses, and general and administrative expenses wherein direct operating expenses include outside services, repairs and maintenance, miscellaneous, land lease, taxes and licenses, management fees, insurance and others. While general and administrative expenses consider professional fees, tax and licenses, systems cost, reversal of provision for credit losses and others, this considers marketing costs;
5. The average capital expenditures in 10-year projection is 0% per year of effective gross revenue;
6. Discount rate is estimated at 7.88% using weighted average cost of capital (WACC); and
7. Terminal capitation rate is estimated at 5.38% (discount rate less growth rate).

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP) MARQUEE MALL														
<b>STATISTICS</b>														
Estimated Leasable Area		64,888.00	sq.m.											
Vacancy Rate (incl. bad debts)		-												
Terminal Capitalization Rate		5.38%												
Discount Rate		7.88%												
Present Worth Factor			0.92696	0.85925	0.79648	0.73831	0.68438	0.63439	0.58805	0.54510	0.50528	0.46837		
		<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Totals</b>	<b>11</b>
<b>GROSS REVENUES</b>		Escalation -	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		2.50%
Office Spaces			-	-	-	-	-	-	-	-	-	-		
Retails			-	-	-	-	-	-	-	-	-	-		
Parking Slots			-	-	-	-	-	-	-	-	-	-		
<b>PLUS:</b>														
Dues - Net			-	-	-	-	-	-	-	-	-	-		
<b>Total Annual Revenues</b>			-	-	-	-	-	-	-	-	-	-	-	-
<b>LESS:</b>														
Vacancy Rate (incl. bad debts)		% of gross revenues	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effective Gross Revenues (EGR)</b>			171,893,848	176,191,194	180,595,974	185,110,873	189,738,645	194,482,111	199,344,164	204,327,768	209,435,962	214,671,861	1,925,792,400	220,038,658
<b>LESS: OPERATING EXPENSES</b>														
Direct Operating Expenses														
Outside services			-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance			-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous			-	-	-	-	-	-	-	-	-	-	-	-
Land lease			10,313,631	10,571,472	10,835,758	11,106,652	11,384,319	11,668,927	11,960,650	12,259,666	12,566,158	12,880,312		
Building lease			-	-	-	-	-	-	-	-	-	-	-	-
Taxes and licenses			1,689,991	1,732,306	1,775,680	1,820,141	1,865,716	1,912,358	1,960,167	2,009,172	2,059,401	2,110,886		
Management fees			5,479,231	5,504,279	5,519,771	5,524,541	5,517,310	5,655,243	5,796,624	5,941,540	6,090,078	6,242,330		
Insurance			-	-	-	-	-	-	-	-	-	-	-	-
Others			-	-	-	-	-	-	-	-	-	-	-	-
			17,482,853	17,808,056	18,131,209	18,451,334	18,767,344	19,236,528	19,717,441	20,210,377	20,715,637	21,233,528		21,764,366
General Administrative Expenses			-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures			-	-	-	-	-	-	-	-	-	-	-	-
Marketing Expenses	0.00%	of gross revenues	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>			17,482,853	17,808,056	18,131,209	18,451,334	18,767,344	19,236,528	19,717,441	20,210,377	20,715,637	21,233,528	191,754,308	21,764,366
<b>NET INCOME</b>			154,410,995	158,383,138	162,464,764	166,659,539	170,971,301	175,245,583	179,626,723	184,117,391	188,720,325	193,438,334	1,734,038,092	198,274,292
<b>ADD: Reversion Value (Resale Value)</b>														3,685,395,762
<b>LESS: Marketing Cost</b>	0.00%	of Resale Value												0
<b>Net Reversion Value</b>														3,685,395,762
Present Worth Factor @	7.88%	discount rate	0.92696	0.85925	0.79648	0.73831	0.68438	0.63439	0.58805	0.54510	0.50528	0.46837		0.46837
<b>Present Worth of Net Income</b>			143,132,179	136,090,267	129,400,624	123,045,695	117,008,800	111,173,545	105,629,295	100,361,538	95,356,486	90,601,036	1,151,799,467	
<b>Present Worth of Net Reversion Value</b>														1,726,134,983
<b>Total Present Value of Net Income</b>				1,151,799,467										
<b>Present Worth of Net Reversion Value</b>				1,726,134,983										
<b>Total</b>				2,877,934,449										
<b>Market Value of Property (building and its facilities)</b>			PhP	2,877,934,449										
<b>Rounded to</b>			PhP	2,877,934,000										

On the basis of the foregoing, the market value of Marquee Mall – Pampanga (building and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php2,877,934,000.**

April 12, 2024

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 First Quarter Progress Report on the Disbursement of Proceeds from the Sale of 181 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Progress Report on the Application of Proceeds for the First Quarter of 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 30, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 181 million AREIT Shares amounting to Five Billion Five Hundred Eighty-Eight Million Seventy Thousand Six Hundred Twenty-Nine and 14/100 Pesos (Php5,588,070,629.14).

As of March 31, 2024, the remaining balance of the net proceeds from the sale of 181 million AREIT Shares amounts to Four Billion Three Hundred Fifteen Million Five Hundred Forty-Five Thousand Two Hundred Twenty-Eight and 75/100 Pesos (Php 4,315,545,228.75).

The details of the disbursement for the First Quarter of 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of January 30, 2024	Php 5,588,070,629.14
Less: Disbursements from January 30 to March 31, 2024 (Annex A)	<u>1,272,525,400.39</u>
<b>Balance of Proceeds from sale of AREIT Shares as of March 31, 2024</b>	<b><u>Php 4,315,545,228.75</u></b>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer, Chief Finance and Compliance Officer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this APR 12 2024 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 29;  
Page. No. 7;  
Book No. 17;  
Series of 2024.



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

  
MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ  
Notary Public - Makati City  
Appt. No. M-198 until December 31, 2025  
Roll of Attorneys No. 60896  
IBP No. 394969 - 01/03/2024 - Makati City  
PTR No. MKT10077040 - 01/03/2024 - Makati City  
MCLE Compliance No. VII - 0018684 - 01/25/2022  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**ANNEX A - Disbursements from January 30 to March 31, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Gardencourt Residences	Ayala Land, Inc.	276,185,762.23
One Vertis Plaza	Ayala Land, Inc.	66,949,182.97
Arbor Lanes	Ayala Land, Inc.	321,115,703.99
Orean Place	Ayala Land, Inc.	42,500,490.95
Nuvali Techno Hub	Ayala Land, Inc.	450,061,999.54
Atria Techno Hub	Ayala Land, Inc.	115,712,260.71
Total		1,272,525,400.39



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from January 30 to March 31, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on January 30, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated April 11, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from January 30 to March 31, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from January 30 to March 31, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from January 30 to March 31, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated January 30, 2024 included the proceeds from the block sale of AREIT shares amounting to P5,588,070,629.14. Out of the total proceeds, P1,272,525,400.39 has been disbursed from January 30 to March 31, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", written over a vertical line.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 12, 2024, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

April 12, 2024



**Appendix A**

Summary of Quarterly Progress Report from January 30 to March 31, 2024

Distributing Entity	Project Name	Amount (in Php)
Ayala Land, Inc.	Gardencourt Residences	276,185,762.23
	One Vertis Plaza	66,949,182.97
	Arbor Lanes	321,115,703.99
	Orean Place	42,500,490.95
	Nuvali Techno Hub	450,061,999.54
	Atria Techno Hub	115,712,260.71
		1,272,525,400.39

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

APR 15 2024

IN WITNESS WHEREOF, I have hereunto affixed my signature this \_\_\_\_\_ 2024, at Makati City, Philippines.

  
RODERICK M. DANA0

#### ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 15 day of April 2024, by RODERICK M. DANA0 who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 51 :  
Page No. 12 :  
Book No. 02 :  
Series of 2024.

  
Att. Thalerie S. Buluran-Reyes  
Notary Public for Makati City  
Until December 31, 2025  
Appointment No. M-049  
Roll No. 78742  
PTR No. 10078306/05 Jan 2024/Makati  
IBP No. 301980/06 Jan 2024/Makati  
MCLE Compliance No. VIII-0000490  
29/F AIA Tower, 8767 Paseo de Roxas Makati City

April 12, 2024

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 First Quarter Progress Report on the Disbursement of Proceeds from the Sale of 205 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Progress Report on the Application of Proceeds for the First Quarter of 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On April 3, 2023, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 205 million AREIT Shares amounting to Six Billion Five Hundred Thirty-Six Million One Hundred Sixty-Seven Thousand Pesos (Php6,536,167,000).

As of March 31, 2024, the remaining balance of the net proceeds from the sale of 205 million AREIT Shares amounts to zero.

The details of the disbursement for the First Quarter of 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of December 31, 2023	Php	312,230,964
Less: Disbursements from January 1 to March 31, 2024 (Annex A)		312,230,964
<b>Balance of Proceeds from sale of AREIT Shares as of March 31, 2024</b>	<b>Php</b>	<b>0</b>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer, Chief Finance and Compliance Officer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this APR 12 2024 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 29;  
Page. No. 7;  
Book No. 17;  
Series of 2024.



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

  
**MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ**  
Notary Public - Makati City  
Appt. No. M-198 until December 31, 2025  
Roll of Attorneys No. 60896  
IBP No. 394969 - 01/03/2024 - Makati City  
PTR No. MKT10077040 - 01/03/2024 - Makati City  
MCLE Compliance No. VII - 0018684 - 01/25/2022  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**ANNEX A - Disbursements from January 1 to March 31, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Arbor Lanes	Ayala Land, Inc.	201,904,313
Park Cascades	Ayala Land, Inc.	110,326,651
<b>TOTAL</b>		<b>312,230,964</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from January 1 to March 31, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on April 3, 2023 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

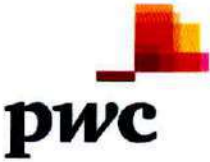
This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2023, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT shares (the "schedule") for the period from January 1 to March 31, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from January 1 to March 31, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from January 1 to March 31, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated April 3, 2023 included the proceeds from the block sale of AREIT shares amounting to P6,536,167,000. Out of the total proceeds, P312,230,964 has been disbursed from January 1 to March 31, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

  
Ruth R. Blasco

Partner

CPA Cert No. 112595

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

TIN 235-725-236

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

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

Makati City

April 12, 2024

**Appendix A**

Summary of Quarterly Progress Report from January 1 to March 31, 2024

		Amount
Distributing Entity	Project Name	(in Php)
Ayala Land, Inc.	Arbor Lanes	201,904,313
	Park Cascades	110,326,651
		312,230,964

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 12 day of April 2024, by RUTH F. BLASCO who presented to me her CPA License ID No. 112595 issued by the Professional Regulation Commission in the City of Manila and valid until October 8, 2026, that she is the same person who personally signed before me the foregoing document and acknowledged that she executed the same.

Doc. No. 48 ;  
Page No. 11 ;  
Book No. 02 ;  
Series of 2024.

*fw*  
Atty. *fw* **Malerie S. Buluran-Reyes**  
Notary Public for Makati City  
Until December 31, 2025  
Appointment No. M-049  
Roll No. 78742  
PTR No. 10078306/05 Jan 2024/Makati  
IBP No. 301980/06 Jan 2024/Makati  
MCLE Compliance No. VIII-0000490  
29/F AIA Tower, 8767 Paseo de Roxas Makati City

April 12, 2024

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: Final Report on the Disbursement of Proceeds from the Sale of 205 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit the Final Report on the Application of Proceeds from the sale of 205 million AREIT Shares, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On April 3, 2023, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 205 million AREIT Shares amounting to Six Billion Five Hundred Thirty-Six Million One Hundred Sixty-Seven Thousand Pesos (Php6,536,167,000).

As of March 31, 2024, ALI already disbursed the total net proceeds amounting to Six Billion Five Hundred Thirty-Six Million One Hundred Sixty-Seven Thousand Pesos (Php6,536,167,000), in accordance with its Reinvestment Plan.

The details of the disbursement are as follows:

Net Proceeds from sale of 205 million AREIT Shares as of April 3, 2023	Php 6,536,167,000
Less: Disbursements from April 3 to June 30, 2023 (Annex A)	2,079,610,480
Less: Disbursements from July 1 to September 30, 2023 (Annex A)	903,557,843
Less: Disbursements from October 1 to December 31, 2023 (Annex)	3,240,767,713
Less: Disbursements from January 1 to March 31, 2024 (Annex A)	312,230,964
<b>Balance of Proceeds from sale of AREIT Shares as of March 31, 2024</b>	<b>Php 0</b>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer, Chief Finance and Compliance Officer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this APR 12 2024 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 29;  
Page No. 7;  
Book No. 17;  
Series of 2024.



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

  
**MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ**  
Notary Public - Makati City  
Appt. No. M-198 until December 31, 2025  
Roll of Attorneys No. 60896  
IBP No. 394464 - 01/03/2024 - Makati City  
PTR No. MKT10077040 - 01/03/2024 - Makati City  
MCLE Compliance No. VII-4018684 - 01/25/2022  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**ANNEX A**

**LISTING OF QUARTERLY USE OF PROCEEDS FOR EACH PROJECTS**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Total Use of Proceeds</b>	<b>Disbursed Apr - June 2023</b>	<b>Disbursed July - Sept 2023</b>	<b>Disbursed Oct - Dec 2023</b>	<b>Disbursed Jan - Mar 2024</b>
Metro Manila Property	Ayala Land, Inc.	2,015,507,230	-	-	2,015,507,230	-
Metro Manila Property	ALI Eton Property Development Corporation (a 50:50 JV Between ALI and EPPI)	1,581,500,000	820,000,000	-	761,500,000	-
Gardencourt Residences	Ayala Land, Inc.	364,638,831	298,235,766	66,403,065	-	-
Arbor Lanes	Ayala Land, Inc.	718,864,947	134,967,060	158,763,445	223,230,129	201,904,313
Andacillo	Ayala Land, Inc.	66,584,730	66,584,730	-	-	-
One Vertis Plaza	Ayala Land, Inc.	590,931,165	332,145,298	258,785,867	-	-
Orean Place T1	Ayala Land, Inc.	338,868,779	177,595,948	161,272,831	-	-
Tryne Enterprise Plaza	Ayala Land, Inc.	350,146,012	145,629,309	93,369,577	111,147,126	-
Park Cascades	Ayala Land, Inc.	509,125,306	104,452,369	164,963,058	129,383,228	110,326,651
<b>TOTAL</b>		<b>6,536,167,000</b>	<b>2,079,610,480</b>	<b>903,557,843</b>	<b>3,240,767,713</b>	<b>312,230,964</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Final Progress Report for the period from April 3, 2023 to March 31, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on April 3, 2023 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2023, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Final Progress Report on use of proceeds from the block sale of AREIT shares (the "schedule") for the period from April 3, 2023 to March 31, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from April 3, 2023 to March 31, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from April 3, 2023 to March 31, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated April 3, 2023 included the proceeds from the block sale of AREIT shares amounting to P6,536,167,000. Such proceeds from the block sale have been fully disbursed from April 3, 2023 to March 31, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

  
Ruth F. Blasco

Partner

CPA Cert No. 112595

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

TIN 235-725-236

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

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

Makati City

April 12, 2024



## Appendix A

Summary of Final Progress Report from April 3, 2023 to March 31, 2024 (Amounts in Php)


Distributing Entity	Project Name	Disbursements from April 3 to June 30, 2023	Disbursements from July 1 to September 30, 2023	Disbursements from October 1 to December 31, 2023	Disbursements from January 1 to March 31, 2024	Total
ALI Eton Property Development Corporation Ayala Land, Inc.	Metro Manila Property	820,000,000	-	761,500,000	-	1,581,500,000
	Metro Manila Property	-	-	2,015,507,230	-	2,015,507,230
	Gardencourt Residences	298,235,766	66,403,065	-	-	364,638,831
	Arbor Lanes	134,967,060	158,763,445	223,230,129	201,904,313	718,864,947
	Andacillo	66,584,730	-	-	-	66,584,730
	One Vertis Plaza	332,145,298	258,785,867	-	-	590,931,165
	Orean Place T1	177,595,948	161,272,831	-	-	338,868,779
	Tryne Enterprise Plaza	145,629,309	93,369,577	111,147,126	-	350,146,012
	Park Cascades	104,452,369	164,963,058	129,383,228	110,326,651	509,125,306
		<b>2,079,610,480</b>	<b>903,557,843</b>	<b>3,240,767,713</b>	<b>312,230,964</b>	<b>6,536,167,000</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 12 day of April 2024, by RUTH F. BLASCO who presented to me her CPA License ID No. 112595 issued by the Professional Regulation Commission in the City of Manila and valid until October 8, 2026, that she is the same person who personally signed before me the foregoing document and acknowledged that she executed the same.

Doc. No. 47 ;  
Page No. 11 ;  
Book No. 02 ;  
Series of 2024.

  
Phalerie S. Buluran-Reyes  
Notary Public for Makati City  
Until December 31, 2025  
Appointment No. M-049  
Roll No. 78742  
PTR No. 10078306/05 Jan 2024/Makati  
IBP No. 301980/06 Jan 2024/Makati  
MCLE Compliance No. VIII-0000490  
31F AIA Tower, 8767 Paseo de Roxas Makati City

July 12, 2024

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Second Quarter Progress Report on the Disbursement of Proceeds from the Sale of 181 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Progress Report on the Application of Proceeds for the Second Quarter of 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 30, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 181 million AREIT Shares amounting to Five Billion Five Hundred Eighty-Eight Million Seventy Thousand Six Hundred Twenty-Nine and 14/100 Pesos (Php 5,588,070,629.14).

As of June 30, 2024, the remaining balance of the net proceeds from the sale of 181 million AREIT Shares amounts to One Billion Nine Hundred Eighty-Eight Million Six Hundred Ninety-Eight Thousand Forty-Seven and 34/100 Pesos (Php 1,988,698,047.34).

The details of the disbursement for the Second Quarter of 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of March 31, 2024	Php 4,315,545,228.75
Less: Disbursements from April 1 to June 30, 2024 (Annex A)	2,326,847,181.41
<b>Balance of Proceeds from sale of AREIT Shares as of June 30, 2024</b>	<b>Php 1,988,698,047.34</b>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer, Chief Finance and Compliance Officer



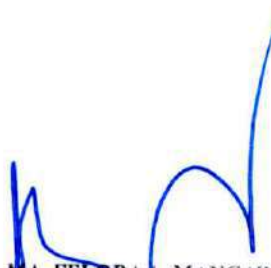
**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this JUL 11 2024 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 252;  
Page. No. 52;  
Book No. VII;  
Series of 2024.



  
MA. FELORA A. MANGAWANG  
Notary Public - Makati City  
Appr. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MKT10077039 - 01/03/2024 - Makati City  
MCLE Compliance No. VII -0006702 - 11/18/2024  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**ANNEX A - Disbursements from April 1 to June 30, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Tarlac Property	Ayala Land, Inc.	528,158,202.30
Gardencourt Residences	Ayala Land, Inc.	604,740,931.29
One Vertis Plaza	Ayala Land, Inc.	152,712,009.10
Arbor Lanes	Ayala Land, Inc.	36,361,092.75
Orean Place	Ayala Land, Inc.	207,586,108.92
Nuvali Techno Hub	Ayala Land, Inc.	392,971,428.01
Evo Techno Hub	Ayala Land, Inc.	66,683,566.21
Atria Techno Hub	Ayala Land, Inc.	337,633,842.83
<b>Total</b>		<b>2,326,847,181.41</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from April 1 to June 30, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on January 30, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated April 11, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from April 1 to June 30, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from April 1 to June 30, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from April 1 to June 30, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated January 30, 2024 included the proceeds from the block sale of AREIT shares amounting to P5,588,070,629.14. Out of the total proceeds, P2,326,847,181.41 has been disbursed from April 1 to June 30, 2024 based on the information we obtained from the Company as presented in Appendix A.



#### **Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", written over the printed name.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 12, 2024, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

July 11, 2024



Appendix A

Summary of Quarterly Progress Report from April 1 to June 30, 2024

Distributing Entity	Project Name	Amount (in Php)
Ayala Land, Inc.	Tarlac Property	528,158,202.30
	Gardencourt Residences	604,740,931.29
	One Vertis Plaza	152,712,009.10
	Arbor Lanes	36,361,092.75
	Orean Place	207,586,108.92
	Nuvali Techno Hub	392,971,428.01
	Evo Techno Hub	66,683,566.21
	Atria Techno Hub	337,633,842.83
		2,326,847,181.41

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 11<sup>th</sup> day of July 2024, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 218 ;  
Page No. 45 ;  
Book No. 1 ;  
Series of 2024.

*pgcmagbanua*  
PATRICIA GAIL CA/CO-MAGBANUA  
Notary Public for Makati City  
Until 31 December 2025  
Appointment No. M-302  
Roll No. 64497  
PTR No. 10112507 / 25 Jan 2024 / Makati City  
Life IBP No. 013665 / 08 Apr 2015 / Makati  
29/F ALA Tower 8767 Paseo de Roxas, Makati City

July 12, 2024

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Second Quarter Progress Report on the Disbursement of Proceeds from the Sale of 98 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Progress Report on the Application of Proceeds for the Second Quarter of 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On May 23, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 98 million AREIT Shares amounting to Three Billion One Hundred Fifty-Eight Million Eight Hundred Nine Thousand Two Hundred Thirty and 50/100 Pesos (Php 3,158,809,230.50).

As of June 30, 2024, the remaining balance of the net proceeds from the sale of 98 million AREIT Shares amounts to Two Billion Five Hundred Forty-One Million Four Hundred Ninety-One Thousand Three Hundred Thirty-Five and 26/100 Pesos (Php 2,541,491,335.26).

The details of the disbursement for the Second Quarter of 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of May 23, 2024	Php 3,158,809,230.50
Less: Disbursements from May 23 to June 30, 2024 (Annex A)	617,317,895.24
<b>Balance of Proceeds from sale of AREIT Shares as of June 30, 2024</b>	<b>Php 2,541,491,335.26</b>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Treasurer, Chief Finance and Compliance Officer



**Ma. Tefesa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this JUL 11 2024 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 251;  
Page. No. 52;  
Book No. VI;  
Series of 2024.



*[Signature]*  
MA FELORA A. MANGAWANG  
Notary Public - Makati City  
App. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MKT10077039 - 01/03/2024 - Makati City  
MCLE Compliance No. VII-0006702 - 11/18/2023  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

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

**ANNEX A - Disbursements from May 23 to June 30, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Centralis Towers	Avida Land Corporation	45,449,317.79
Avida Towers Ardane	Avida Land Corporation	161,563,268.15
Amaia Steps The Junction Place	Amaia Land Co.	126,033,176.18
Amaia Steps Pasig	Amaia Land Co.	56,322,886.86
Amaia Steps Two Capitol Central	Amaia Land Co.	65,637,323.26
Cresendo Estate	Ayala Land, Inc.	45,264,303.00
Vermosa	Ayala Land, Inc.	43,572,735.00
Arca South Estate	Ayala Land, Inc.	73,474,885.00
<b>Total</b>		<b>617,317,895.24</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from May 23 to June 30, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on May 23, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from May 23 to June 30, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from May 23 to June 30, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from May 23to June 30, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated May 23, 2024 included the proceeds from the block sale of AREIT shares amounting to P3,158,809,230.50. Out of the total proceeds, P617,317,895.24 has been disbursed from May 23 to June 30, 2024 based on the information we obtained from the Company as presented in Appendix A.



#### **Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", with a long, sweeping horizontal stroke extending to the right.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 12, 2024, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

July 11, 2024



Appendix A

Summary of Quarterly Progress Report from May 23 to June 30, 2024

Distributing Entity	Project Name	Amount (in Php)
Avida Land Corporation	Centralis Towers	45,449,317.79
	Avida Towers Ardane	161,563,268.15
Amaia Land Co.	Amaia Steps The Junction Place	126,033,176.18
	Amaia Steps Pasig	56,322,886.86
Ayala Land, Inc.	Amaia Steps Two Capitol Central	65,637,323.26
	Cresendo Estate	45,264,303.00
	Vermosa	43,572,735.00
	Arca South Estate	73,474,885.00
		617,317,895.24

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

ACKNOWLEDGEMENT

11<sup>th</sup> SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this day of July 2024, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 219 ;  
Page No. 45 ;  
Book No. 1 ;  
Series of 2024.

  
PATRICIA GAIL CAYCO-MAGBANUA  
Notary Public for Makati City  
Until 31 December 2025  
Appointment No. M-302  
Roll No. 64497  
PTR No. 10112507 / 25 Jan 2024 / Makati City  
Life IBP No. 013665 / 08 Apr 2015 / Makati  
29F AIA Tower 3767 Paseo de Roxas, Makati City

October 14, 2024

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Third Quarter Progress Report on the Disbursement of Proceeds from the Sale of 98 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Progress Report on the Application of Proceeds for the Third Quarter of 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On May 23, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 98 million AREIT Shares amounting to Three Billion One Hundred Fifty-Eight Million Eight Hundred Nine Thousand Two Hundred Thirty and 50/100 Pesos (Php 3,158,809,230.50).

As of September 30, 2024, the remaining balance of the net proceeds from the sale of 98 million AREIT Shares amounts to One Billion Nine Hundred Thirty-One Million Five Hundred Seventy-Eight Thousand Eight Hundred Seventy Six and 17/100 Pesos (Php 1,931,578,876.17).

The details of the disbursement for the Third Quarter of 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of June 30, 2024	Php 2,541,491,335.26
Less: Disbursements from July 1 to September 30, 2024 (Annex A)	609,912,459.09
Balance of Proceeds from sale of AREIT Shares as of September 30, 2024	<u>Php 1,931,578,876.17</u>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer


OCT 14 2024

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 104 ;  
Page. No. 12 ;  
Book No. 1 ;  
Series of 2024.



  
MARK ANTHONY B. RIVAS  
Notary Public - Makati City  
Appt. No. M-173 until December 31, 2025  
Roll of Attorneys No. 75005  
IBP No. 332361 - 12/20/2023 - Makati City  
PTR No. MKT10111654 - 01/25/2024 - Makati City  
MCLE Compliance No. VII - 0011565 - 02/02/2022  
8th Floor, Tower One and Exchange Plaza, Ayala Triangle,  
Ayala Avenue, Makati City, Philippines

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

**ANNEX A - Disbursements from July 1 to September 30, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Centralis Towers	Avida Land Corporation	73,326,540.07
Avida Towers Ardane	Avida Land Corporation	40,703,583.69
Amaia Steps The Junction Place	Amaia Land Co.	21,397,879.61
Amaia Steps Pasig	Amaia Land Co.	9,262,305.50
Amaia Steps Two Capitol Central	Amaia Land Co.	7,447,547.88
Cresendo Estate	Ayala Land, Inc.	91,276,222.34
Vermosa	Ayala Land, Inc.	116,427,265.00
Arca South Estate	Ayala Land, Inc.	226,525,115.00
Mandarin Oriental	Ayala Land, Inc.	23,546,000.00
<b>Total</b>		<b>609,912,459.09</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from July 1 to September 30, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on May 23, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Procedures and Factual Findings**

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Factual Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from July 1 to September 30, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from July 1 to September 30, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from July 1 to September 30, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated May 23, 2024 included the proceeds from the block sale of AREIT shares amounting to P3,158,809,230.50. Out of the total proceeds, P609,912,459.09 has been disbursed from July 1 to September 30, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read 'R. Danao'.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 12, 2024, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

October 14, 2024



**Appendix A**

Summary of Quarterly Progress Report from July 1 to September 30, 2024


		Disbursements from July 1 to September 30, 2024
Distributing Entity	Project Name	
Avida Land Corporation	Centralis Towers	73,326,540.07
	Avida Towers Ardane	40,703,583.69
Amaia Land Co.	Amaia Steps The Junction Place	21,397,879.61
	Amaia Steps Pasig	9,262,305.50
Ayala Land, Inc.	Amaia Steps Two Capitol Central	7,447,547.88
	Cresendo Estate	91,276,222.34
	Vermosa	116,427,265.00
	Arca South Estate	226,525,115.00
	Mandarin Oriental	23,546,000.00
		<b>609,912,459.09</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 14 day of October 2024, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until Augst 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 264 ;  
Page No. 54 ;  
Book No. 03 ;  
Series of 2024.

 Atty. Whalerie S. Buluran-Reyes  
Notary Public for Makati City  
Until December 31, 2025  
Appointment No. M-049  
Roll No. 78742  
PTR No. 10078306/05 Jan 2024/Makati  
IBP No. 301980/06 Jan 2024/Makati  
MCLE Compliance No. VIII-0000490  
29/F AIA Tower, 8767 Paseo de Roxas Makati City

October 14, 2024

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Third Quarter Progress Report on the Disbursement of Proceeds from the Sale of 181 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Progress Report on the Application of Proceeds for the Third Quarter of 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 30, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 181 million AREIT Shares amounting to Five Billion Five Hundred Eighty-Eight Million Seventy Thousand Six Hundred Twenty-Nine and 14/100 Pesos (Php 5,588,070,629.14).

As of September 30, 2024, the remaining balance of the net proceeds from the sale of 181 million AREIT Shares amounts to One Billion Twenty-Five Million Three Hundred Forty-One Thousand Four Hundred Forty-Three and 12/100 Pesos (Php 1,025,341,443.12).

The details of the disbursement for the Third Quarter of 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of June 30, 2024	Php 1,988,698,047.34
Less: Disbursements from July 1 to September 30, 2024 (Annex A)	963,356,604.22
Balance of Proceeds from sale of AREIT Shares as of September 30, 2024	<u>Php 1,025,341,443.12</u>

Thank you.

Very truly yours,



Augusto D. Bengzon  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer



Ma. Teresa R. Famy  
AREIT, Inc.  
Treasurer and Chief Finance Officer

OCT 14 2024


SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 105;  
Page. No. 22;  
Book No. 1;  
Series of 2024.

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



  
MARK ANTHONY B. RIVAS  
Notary Public - Makati City  
Appt. No. M-173 until December 31, 2025  
Roll of Attorneys No. 75005  
IBP No. 332361 - 12/20/2023 - Makati City  
PTR No. MKT10111654 - 01/25/2024 - Makati City  
MCLE Compliance No. VII -0011565 - 02/02/2022  
28th Floor, Tower One and Exchange Plaza, Ayala Triangle,  
Ayala Avenue, Makati City, Philippines

ANNEX A - Disbursements from July 1 to September 30, 2024

Project Name	Disbursing Entity	Amount (in PHP)
Gardencourt Residences	Ayala Land, Inc.	84,830,227.62
One Vertis Plaza	Ayala Land, Inc.	260,367,301.44
Arbor Lanes	Ayala Land, Inc.	84,487,028.60
Orean Place	Ayala Land, Inc.	181,069,783.00
Evo Techno Hub	Ayala Land, Inc.	124,531,720.70
Atria Techno Hub	Ayala Land, Inc.	228,070,542.86
<b>Total</b>		<b>963,356,604.22</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from July 1 to September 30, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on January 30, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Factual Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated April 11, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Factual Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from July 1 to September 30, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from July 1 to September 30, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from July 1 to September 30, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated January 30, 2024 included the proceeds from the block sale of AREIT shares amounting to P5,588,070,629.14. Out of the total proceeds, P963,356,604.22 has been disbursed from July 1 to September 30, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", with a long horizontal stroke extending to the right.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 12, 2024, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

October 14, 2024



**Appendix A**

Summary of Quarterly Progress Report from July 1 to September 30, 2024

		Disbursements from July 1 to September 30, 2024
Distributing Entity	Project Name	
Ayala Land, Inc.	Gardencourt Residences	84,830,227.62
	One Vertis Plaza	260,367,301.44
	Arbor Lanes	84,487,028.60
	Orean Place	181,069,783.00
	Evo Techno Hub	124,531,720.70
	Atria Techno Hub	228,070,542.86
		963,356,604.22

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 14 day of October 2024, by RODERICK M. DANA0 who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 263 *fr*  
Page No. 54 ;  
Book No. 03 ;  
Series of 2024.

*fr*  
Attest: **Whalerie S. Buluran-Reyes**  
Notary Public for Makati City  
Until December 31, 2025  
Appointment No. M-049  
Roll No. 78742  
PTR No. 10078306/05 Jan 2024/Makati  
IBP No. 301980/06 Jan 2024/Makati  
MCLE Compliance No. VIII-0000490  
29/F AIA Tower, 8767 Paseo de Roxas Makati City

January 14, 2025

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Annual Report on the Disbursement of Proceeds from the Sale of 75 million  
AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Annual Report on the Application of Proceeds for 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On September 24, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 75 million AREIT Shares amounting to Two Billion Six Hundred Ninety-Six Million Eight Hundred Twenty-Three Thousand and Seventy-Five (Php 2,696,823,075.00).

As of December 31, 2024, the remaining balance of the net proceeds from the sale of 75 million AREIT Shares is Two Billion One Hundred Five Million Twenty-Three Thousand Seven Hundred Forty-Five and 11/100 (Php 2,105,023,745.11).

The details of the disbursement for the year 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of September 24, 2024	Php 2,696,823,075.00
Less: Disbursements from September 24 to December 31, 2024 (Annex A)	591,799,329.89
Balance of Proceeds from sale of AREIT Shares as of December 31, 2024	<u>Php 2,105,023,745.11</u>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

JAN 14 2025

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 61;  
Page. No. 14;  
Book No. VIII;  
Series of 2025.



**MA. FELORA A. MANGAWANG**  
Notary Public - Makati City  
Appr. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MRT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII -0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

Notarial DST pursuant to Sec. 61 of the  
TRAIN Act (Amending Sec. 183 of the NIRC)  
affixed on Notary Public's copy

**ANNEX A - Disbursements from September 24 to December 31, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Arbor Lanes	Ayala Land, Inc.	276,824,501.94
Mandarin Oriental	Ayala Land, Inc.	314,974,827.95
<b>Total</b>		<b>591,799,329.89</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Annual Progress Report for the period from September 24 to December 31, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on September 24, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated January 9, 2025, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Factual Findings
Obtained the Annual Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from September 24 to December 31, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from September 24 to December 31, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from September 24 to December 31, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated September 24, 2024 included the proceeds from the block sale of AREIT shares amounting to P2,696,823,075.00. Out of the total proceeds, P591,799,329.89 has been disbursed from September 24 to December 31, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "Roderick M. Danao", written over the printed name.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 3, 2025, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

January 13, 2025



## Appendix A

Summary of Annual Progress Report from September 24 to December 31, 2024 (Amounts are in Php)


Distributing Entity	Project Name	Disbursements from	Total
		September 24 to December 31, 2024	
Ayala Land, Inc.	Arbor Lanes	276,824,501.94	276,824,501.94
	Mandarin Oriental	314,974,827.95	314,974,827.95
		<b>591,799,329.89</b>	<b>591,799,329.89</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY, PASIG CITY )S.S.

ACKNOWLEDGEMENT

JAN 13 2025 SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this day of January 2025, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 203 ;  
Page No. 42 ;  
Book No. I ;  
Series of 2025.

  
ATTY. MARIA ELIZABETH H. FRUELDA-LICUP  
Notary Public for Pasig City  
Appointment No. 21 (2024-2025)  
Roll of Attorney No. 54616  
PTR No. 2863274, 1-02-25, Pasig City  
IBP No. 491228, 01-01-25, Quezon City  
Roll No. 54616  
MCLE Compliance No. VII-0018930, 05-25-22

January 14, 2025

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Fourth Quarter Progress Report on the Disbursement of Proceeds from the Sale of 75 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Progress Report on the Application of Proceeds for the Fourth Quarter of 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On September 24, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 75 million AREIT Shares amounting to Two Billion Six Hundred Ninety-Six Million Eight Hundred Twenty-Three Thousand and Seventy-Five (Php 2,696,823,075.00).

As of December 31, 2024, the remaining balance of the net proceeds from the sale of 75 million AREIT Shares is Two Billion One Hundred Five Million Twenty-Three Thousand Seven Hundred Forty-Five and 11/100 (Php 2,105,023,745.11).

The details of the disbursement for the Fourth Quarter of 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of September 24, 2024	Php	2,696,823,075.00
Less: Disbursements from October 1 to December 31, 2024 (Annex A)		591,799,329.89
Balance of Proceeds from sale of AREIT Shares as of December 31, 2024	Php	2,105,023,745.11

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

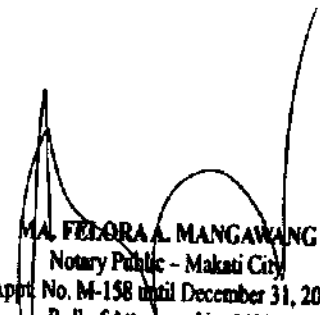
SUBSCRIBED AND SWORN to before me this JAN 14 2025 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 62;  
Page. No. 14;  
Book No. VIII;  
Series of 2025.

Notarial DST pursuant to Sec. 61 of the  
TRAIN Act (Amending Sec. 183 of the NIRC)  
affixed on Notary Public's copy.



  
MA FELORA A. MANGAWANG  
Notary Public - Makati City  
Appt. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MRT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII-0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**ANNEX A - Disbursements from October 1 to December 31, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Arbor Lanes	Ayala Land, Inc.	276,824,501.94
Mandarin Oriental	Ayala Land, Inc.	314,974,827.95
<b>Total</b>		<b>591,799,329.89</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from October 1 to December 31, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on September 24, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Procedures and Factual Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated January 9, 2025, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Factual Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from October 1 to December 31, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from October 1 to December 31, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from October 1 to December 31, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated September 24, 2024 included the proceeds from the block sale of AREIT shares amounting to P2,696,823,075.00. Out of the total proceeds, P591,799,329.89 has been disbursed from October 1 to December 31, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", written over a vertical line.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 3, 2025, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

January 13, 2025



## Appendix A

Summary of Quarterly Progress Report from October 1 to December 31, 2024 (Amounts are in Php)

		Disbursements from October 1 to December 31, 2024
Distributing Entity	Project Name	
Ayala Land, Inc.	Arbor Lanes	276,824,501.94
	Mandarin Oriental	314,974,827.95
		<b>591,799,329.89</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.

PASIG CITY

ACKNOWLEDGEMENT

JAN 13 2025

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this 13 day of January 2025, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 207 ;  
Page No. 43 ;  
Book No. I ;  
Series of 2025.

  
ATTY. MARIA ELIZABETH H. FRUELDA-LICUP  
Notary Public for Pasig City  
Appointment No. 21 (2024-2025)  
Roll of Attorney No. 54616  
PTR No. 2863274, 1-02-25, Pasig City  
IBP No. 491228, 01-01-25, Quezon City  
Roll No. 54616  
MCLE Compliance No. VII-0010930, 05-23-22

January 14, 2025

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: Final Report on the Disbursement of Proceeds from the Sale of 98 million AREIT, Inc.  
("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Final Report on the Application of Proceeds from the sale of 98 million AREIT Shares, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On May 23, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 98 million AREIT Shares amounting to Three Billion One Hundred Fifty-Eight Million Eight Hundred Nine Thousand Two Hundred Thirty and 50/100 Pesos (Php 3,158,809,230.50).

As of December 31, 2024, ALI already disbursed the total net proceeds from the sale of 98 million AREIT Shares.

The details of the disbursement are as follows:

Balance of Proceeds from sale of AREIT Shares as of May 23, 2024	Php	3,158,809,230.50
Less: Disbursements from May 23, 2024 to December 31, 2024 (Annex A)		3,158,809,230.50
Balance of Proceeds from sale of AREIT Shares as of December 31, 2024	Php	0

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this JAN 14 2025 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 58;  
Page. No. 13;  
Book No. VIII;  
Series of 2025.

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



*MA FELORA A. MANGAWANG*  
MA. FELORA A. MANGAWANG  
Notary Public - Makati City  
App. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. WKT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII -0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**ANNEX A - Disbursements from May 23 to December 31, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Centralis Towers	Avida Land Corporation	118,775,857.86
Avida Towers Ardane	Avida Land Corporation	202,266,851.84
Amaia Steps The Junction Place	Amaia Land Co.	147,431,055.79
Amaia Steps Pasig	Amaia Land Co.	65,585,192.36
Amaia Steps Two Capitol Central	Amaia Land Co.	73,084,871.14
Cresendo Estate	Ayala Land, Inc.	136,540,525.34
Vermosa	Ayala Land, Inc.	160,000,000.00
Arca South Estate	Ayala Land, Inc.	300,000,000.00
Mandarin Oriental	Ayala Land, Inc.	23,546,000.00
Metro Manila Property	Ayala Land, Inc.	1,931,578,876.17
<b>Total</b>		<b>3,158,809,230.50</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Final Progress Report for the period from May 23 to December 31, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on May 23, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Final Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from May 23 to December 31, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from May 23 to December 31, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from May 23 to December 31, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated May 23, 2024 included the proceeds from the block sale of AREIT shares amounting to P3,158,809,230.50. Such proceeds from the block sale have been fully disbursed from May 23 to December 31, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", written over the printed name and title.

Roderick M. Danao  
Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 3, 2025, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City  
January 13, 2025



## Appendix A

Summary of Quarterly Progress Report from May 23 to December 31, 2024 (Amounts are in Php)


Distributing Entity	Project Name	Disbursements from		Disbursements from		Disbursements from		Total
		May 23 to	June 30, 2024	July 1 to	September 30, 2024	October 1 to	December 31, 2024	
Avida Land Corporation	Centralis Towers		45,449,317.79		73,326,540.07		-	118,775,857.86
	Avida Towers Ardane		161,563,268.15		40,703,583.69		-	202,266,851.84
Amaia Land Co.	Amaia Steps The Junction Place		126,033,176.18		21,397,879.61		-	147,431,055.79
	Amaia Steps Pasig		56,322,886.86		9,262,305.50		-	65,585,192.36
	Amaia Steps Two Capitol Central		65,637,323.26		7,447,547.88		-	73,084,871.14
Ayala Land, Inc.	Cresendo Estate		45,264,303.00		91,276,222.34		-	136,540,525.34
	Vermosa		43,572,735.00		116,427,265.00		-	160,000,000.00
	Arca South Estate		73,474,885.00		226,525,115.00		-	300,000,000.00
	Mandarin Oriental		-		23,546,000.00		-	23,546,000.00
	Metro Manila Property		-		-		1,931,578,876.17	1,931,578,876.17
			617,317,895.24		609,912,459.09		1,931,578,876.17	3,158,809,230.50

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY **PASIG CITY**)S.S.

ACKNOWLEDGEMENT

**JAN 13 2025** SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this **PASIG CITY**  
\_\_\_\_ day of January 2025, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453  
issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he  
is the same person who personally signed before me the foregoing document and acknowledged that he  
executed the same.

Doc. No. 202 :  
Page No. 42 :  
Book No. I :  
Series of 2025.

  
**ATTY. MARIA ELIZABETH H. FRUELDA-LICUP**  
Notary Public for Pasig City  
Appointment No. 21 (2024-2025)  
Roll of Attorney No. 54616  
PTR No. 2863274, 1-02-25, Pasig City  
IBP No. 491228, 01-01-25, Quezon City  
Roll No. 54616  
MCLE Compliance No. VII-0018930, 05-25-22

January 14, 2025

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Fourth Quarter Progress Report on the Disbursement of Proceeds from the Sale of 98 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Progress Report on the Application of Proceeds for the Fourth Quarter of 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On May 23, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 98 million AREIT Shares amounting to Three Billion One Hundred Fifty-Eight Million Eight Hundred Nine Thousand Two Hundred Thirty and 50/100 Pesos (Php 3,158,809,230.50).


As of December 31, 2024, the remaining balance of the net proceeds from the sale of 98 million AREIT Shares is zero.


The details of the disbursement for the Fourth Quarter of 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of September 30, 2024	Php	1,931,578,876.17
Less: Disbursements from October 1 to December 31, 2024 (Annex A)		1,931,578,876.17
Balance of Proceeds from sale of AREIT Shares as of December 31, 2024	Php	0

Thank you.

Very truly yours,

  
**Augusto D. Bengzon**  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer

  
**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

JAN 14 2025

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 57;  
Page. No. 13;  
Book No. VII;  
Series of 2025.



*[Signature]*  
MA. FELORA A. MANGAWANG  
Notary Public - Makati City  
Appt. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MKT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII-0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

Notarial BST pursuant to Sec. 61 of the  
TRAIN Act (Amending Sec. 183 of the NIRC)  
affixed on Notary Public's copy

**ANNEX A - Disbursements from October 1 to December 31, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Metro Manila Property	Ayala Land, Inc.	1,931,578,876.17
<b>Total</b>		<b>1,931,578,876.17</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from October 1 to December 31, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on May 23, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Procedures and Factual Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated July 10, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Factual Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from October 1 to December 31, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from October 1 to December 31, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from October 1 to December 31, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated May 23, 2024 included the proceeds from the block sale of AREIT shares amounting to P3,158,809,230.50. Out of the total proceeds, P1,931,578,876.17 has been disbursed from October 1 to December 31, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", written over a vertical line.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 3, 2025, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

January 13, 2025



## Appendix A

Summary of Quarterly Progress Report from October 1 to December 31, 2024 (Amounts are in Php)


		Disbursements from October 1 to December 31, 2024
Distributing Entity	Project Name	
Ayala Land, Inc.	Metro Manila Property	1,931,578,876.17
		<b>1,931,578,876.17</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY **PASIG CITY** )S.S.

ACKNOWLEDGEMENT

**JAN 13 2025** SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this **PASIG CITY** day of January 2025, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 204 :  
Page No. 42 :  
Book No. I :  
Series of 2025.

  
**ATTY. MARIA ELIZABETH H. FRUELDA-LICUP**  
Notary Public for Pasig City  
Appointment No. 21 (2024-2025)  
Roll of Attorney No. 54616  
PTR No. 2863274, 1-02-25, Pasig City  
IBP No. 491228, 01-01-25, Quezon City  
Roll No. 54616  
MCLE Compliance No. VII-0018930, 05-25-22

January 14, 2025

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Fourth Quarter Progress Report on the Disbursement of Proceeds from the Sale of 181 million AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Progress Report on the Application of Proceeds for the Fourth Quarter of 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 30, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 181 million AREIT Shares amounting to Five Billion Five Hundred Eighty-Eight Million Seventy Thousand Six Hundred Twenty-Nine and 14/100 Pesos (Php 5,588,070,629.14).

As of December 31, 2024, the remaining balance of the net proceeds from the sale of 181 million AREIT Shares amounts to Four Hundred Eighty-Three Million Nine Hundred Fifty-Three Thousand Nine Hundred Nine and 9/100 Pesos (Php 483,953,909.09).

The details of the disbursement for the Fourth Quarter of 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of September 30, 2024	Php 1,025,341,443.12
Less: Disbursements from October to December 31, 2024 (Annex A)	541,387,534.03
Balance of Proceeds from sale of AREIT Shares as of December 31, 2024	<u>Php 483,953,909.09</u>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

JAN 14 2025

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 60;  
Page No. 13;  
Book No. VIII;  
Series of 2025.



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

MA FELORA A. MANGAWANG  
Notary Public - Makati City  
Appl. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MKT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII -0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**ANNEX A - Disbursements from October 1 to December 31, 2024**

Project Name	Disbursing Entity	Amount (in PHP)
One Vertis Plaza	Ayala Land, Inc.	63,720,814.08
Arbor Lanes	Ayala Land, Inc.	74,136,828.12
Orean Place	Ayala Land, Inc.	226,450,444.50
Atria Techno Hub	Ayala Land, Inc.	177,079,447.33
<b>Total</b>		<b>541,387,534.03</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

### **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Quarterly Progress Report for the period from October 1 to December 31, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on January 30, 2024 and may not be suitable for another purpose.

### **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Procedures and Factual Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated April 11, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Factual Findings
Obtained the Quarterly Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from October 1 to December 31, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from October 1 to December 31, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from October 1 to December 31, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated January 30, 2024 included the proceeds from the block sale of AREIT shares amounting to P5,588,070,629.14. Out of the total proceeds, P541,387,534.03 has been disbursed from October 1 to December 31, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", written over a vertical line.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 3, 2025, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

January 13, 2025



## Appendix A

Summary of Quarterly Progress Report from October 1 to December 31, 2024 (Amounts are in Php)

Distributing Entity	Project Name	Disbursements
		from October 1 to December 31, 2024
Ayala Land, Inc.	One Vertis Plaza	63,720,814.08
	Arbor Lanes	74,136,828.12
	Orean Place	226,450,444.50
	Atria Techno Hub	177,079,447.33
		<b>541,387,534.03</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY PASIG CITY )S.S.

ACKNOWLEDGEMENT

JAN 13 2025

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this day of January 2025, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 206 ;  
Page No. 43 ;  
Book No. I ;  
Series of 2025.

*Frueida*  
ATTY. MARIA ELIZABETH H. FRUEIDA-LICUP  
Notary Public for Pasig City  
Appointment No. 21 (2024-2025)  
Roll of Attorney No. 54616  
PTR No. 2863274, 1-02-25, Pasig City  
IBF No. 491228, 01-01-25, Quezon City  
Roll No. 54616  
MCLE Compliance No. VII-0018930, 05-25-22

January 14, 2025

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Annual Report on the Disbursement of Proceeds from the Sale of 181 million  
AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Annual Report on the Application of Proceeds for 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 30, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 181 million AREIT Shares amounting to Five Billion Five Hundred Eighty-Eight Million Seventy Thousand Six Hundred Twenty-Nine and 14/100 Pesos (Php 5,588,070,629.14).

As of December 31, 2024, the remaining balance of the net proceeds from the sale of 181 million AREIT Shares amounts to Four Hundred Eighty-Three Million Nine Hundred Fifty-Three Thousand Nine Hundred Nine and 9/100 Pesos (Php 483,953,909.09).

The details of the disbursement for 2024 are as follows:

Balance of Proceeds from sale of AREIT Shares as of January 30, 2024	Php 5,588,070,629.14
Less: Disbursements from January 30 to December 31, 2024 (Annex A)	<u>5,104,116,720.05</u>
Balance of Proceeds from sale of AREIT Shares as of December 31, 2024	<u>Php 483,953,909.09</u>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer



**Ma. Teresa R. Pamy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

JAN 14 2025

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P43233528	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 59;  
Page. No. 13;  
Book No. VIII;  
Series of 2025.



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

MA. FELORA A. MANGAWANG  
Notary Public - Makati City  
App. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MKT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII -0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

**ANNEX A - Disbursements from January 30 to December 31, 2024**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Tarlac Property	Ayala Land, Inc.	528,158,202.30
Gardencourt Residences	Ayala Land, Inc.	965,756,921.14
One Vertis Plaza	Ayala Land, Inc.	543,749,307.59
Arbor Lanes	Ayala Land, Inc.	516,100,653.46
Orean Place	Ayala Land, Inc.	657,606,827.37
Nuvali Techno Hub	Ayala Land, Inc.	843,033,427.55
Evo Techno Hub	Ayala Land, Inc.	191,215,286.91
Atria Techno Hub	Ayala Land, Inc.	858,496,093.73
<b>Total</b>		<b>5,104,116,720.05</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

## **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Annual Progress Report for the period from January 30 to December 31, 2024 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on January 30, 2024 and may not be suitable for another purpose.

## **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

## **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

## **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated April 11, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Annual Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from January 30 to December 31, 2024 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from January 30 to December 31, 2024 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from January 30 to December 31, 2024 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated January 30, 2024 included the proceeds from the block sale of AREIT shares amounting to P5,588,070,629.14. Out of total proceeds, P5,104,116,720.05 have been disbursed from January 30 to December 31, 2024 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", written over the printed name and title.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 3, 2025, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

January 13, 2025



## Appendix A

Summary of Annual Progress Report from January 30 to December 31, 2024 (Amounts are in Php)

Distributing Entity	Project Name	Disbursements from January 30 to March 31, 2024	Disbursements from April 1 to June 30, 2024	Disbursements from July 1 to September 30, 2024	Disbursements from October 1 to December 31, 2024	Total
Ayala Land, Inc.	Tarlac Property	-	528,158,202.30	-	-	528,158,202.30
	Gardencourt Residences	276,185,762.23	604,740,931.29	84,830,227.62	-	965,756,921.14
	One Vertis Plaza	66,949,182.97	152,712,009.10	260,367,301.44	63,720,814.08	543,749,307.59
	Arbor Lanes	321,115,703.99	36,361,092.75	84,487,028.60	74,136,828.12	516,100,653.46
	Orean Place	42,500,490.95	207,586,108.92	181,069,783.00	226,450,444.50	657,606,827.37
	Nuvali Techno Hub	450,061,999.54	392,971,428.01	-	-	843,033,427.55
	Evo Techno Hub	-	66,683,566.21	124,531,720.70	-	191,215,286.91
	Atria Techno Hub	115,712,260.71	337,633,842.83	228,070,542.86	177,079,447.33	858,496,093.73
		<b>1,272,525,400.39</b>	<b>2,326,847,181.41</b>	<b>963,356,604.22</b>	<b>541,387,534.03</b>	<b>5,104,116,720.05</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY **PASIG CITY** )S.S.

**ACKNOWLEDGEMENT**

**JAN 13 2025**

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this **PASIG CITY** day of January 2025, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until Augst 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 205 ;  
Page No. 42 ;  
Book No. I ;  
Series of 2025.

  
**ATTY. MARIA ELIZABETH H. FRUELDA-LICUP**  
Notary Public for Pasig City  
Appointment No. 21 (2024-2025)  
Roll of Attorney No. 54616  
PTR No. 2863274, 1-02-25, Pasig City  
IBP No. 491228, 01-01-25, Quezon City  
Roll No. 54616  
MCLE Compliance No. VII-0018930, 05-25-22

January 30, 2025

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2024 Final Report on the Disbursement of Proceeds from the Sale of 181 million  
AREIT, Inc. ("AREIT") Shares

Dear Gentlemen,

We are pleased to submit our Final Report on the Application of Proceeds for 2024, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 30, 2024, Ayala Land, Inc. ("ALI") received net proceeds from the sale of 181 million AREIT Shares amounting to Five Billion Five Hundred Eighty-Eight Million Seventy Thousand Six Hundred Twenty-Nine and 14/100 Pesos (Php 5,588,070,629.14).

As of January 30, 2025, ALI already disbursed the total net proceeds from the sale of 181 million AREIT Shares.

The details of the disbursement are as follows:

Balance of Proceeds from sale of AREIT Shares as of January 30, 2024	Php	5,588,070,629.14
Less: Disbursements from January 30, 2024 to January 30, 2025 (Annex A)		5,588,070,629.14
Balance of Proceeds from sale of AREIT Shares as of January 30, 2025	Php	0

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

JAN 30 2025

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 200;  
Page. No. 41;  
Book No. VIII;  
Series of 2025.



MA. FELORA A. MANGAWANG  
Notary Public - Makati City  
Appt. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MKT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII-0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

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

**ANNEX A - Disbursements from January 30, 2024 to January 30, 2025**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Tarlac Property	Ayala Land, Inc.	528,158,202.30
Gardencourt Residences	Ayala Land, Inc.	965,756,921.14
One Vertis Plaza	Ayala Land, Inc.	714,571,590.00
Arbor Lanes	Ayala Land, Inc.	516,100,653.46
Orean Place	Ayala Land, Inc.	833,846,225.20
Nuvali Techno Hub	Ayala Land, Inc.	843,033,427.55
Evo Techno Hub	Ayala Land, Inc.	305,803,558.26
Atria Techno Hub	Ayala Land, Inc.	880,800,051.23
<b>Total</b>		<b>5,588,070,629.14</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

## **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Final Progress Report for the period from January 30, 2024 to January 30, 2025 relating to the use of proceeds received by the Company from the block sale of its shares in AREIT, Inc. ("AREIT") on January 30, 2024 and may not be suitable for another purpose.

## **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

## **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

## **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated April 11, 2024, on the use of proceeds received by the Company from the block sale of its shares in AREIT:

Procedures	Findings
Obtained the Final Progress Report on use of proceeds from the block sale of AREIT Shares (the "schedule") for the period from January 30, 2024 to January 30, 2025 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from January 30, 2024 to January 30, 2025 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from January 30, 2024 to January 30, 2025 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated January 30, 2024 included the proceeds from the block sale of AREIT shares amounting to P5,588,070,629.14. Such proceeds have been fully disbursed from January 30, 2024 to January 30, 2025 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", written over the printed name and title.

Rodenick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 3, 2025, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

January 30, 2025



## Appendix A

Summary of Annual Progress Report from January 30, 2024 to January 30, 2025 (Amounts are in Php)

Distributing Entity	Project name	Disbursements from January 30 to March 31, 2024	Disbursements from April 1 to June 30, 2024	Disbursements from July 1 to September 30, 2024	Disbursements from October 1 to December 31, 2024	Disbursements from January 1 to January 30, 2025	Total
Ayala Land, Inc.	Tarlac Property	-	528,158,202.30	-	-	-	528,158,202.30
	Gardencourt Residences	276,185,762.23	604,740,931.29	84,830,227.62	-	-	965,756,921.14
	One Vertis Plaza	66,949,182.97	152,712,009.10	260,367,301.44	63,720,814.08	170,822,282.41	714,571,590.00
	Arbor Lanes	321,115,703.99	36,361,092.75	84,487,028.60	74,136,828.12	-	516,100,653.46
	Orean Place	42,500,490.95	207,586,108.92	181,069,783.00	226,450,444.50	176,239,397.83	833,846,225.20
	Nuvali Techno Hub	450,061,999.54	392,971,428.01	-	-	-	843,033,427.55
	Evo Techno Hub	-	66,683,566.21	124,531,720.70	-	114,588,271.35	305,803,558.26
	Atria Techno Hub	115,712,260.71	337,633,842.83	228,070,542.86	177,079,447.33	22,303,957.50	880,800,051.23
		<b>1,272,525,400.39</b>	<b>2,326,847,181.41</b>	<b>963,356,604.22</b>	<b>541,387,534.03</b>	<b>483,953,909.09</b>	<b>5,588,070,629.14</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY )S.S.  
PASIG CITY

ACKNOWLEDGEMENT

30 JAN 2025 SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Makati this  
day of January 2025, by RODERICK M. DANA O who presented to me his CPA License No. 88453  
issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he  
is the same person who personally signed before me the foregoing document and acknowledged that he  
executed the same.

Doc. No. 218  
Page No. 45  
Book No. 7  
Series of 2025.

  
ATTY. MARIA ELIZABETH H. FRUELDA-LICUP  
Notary Public for Pasig City  
Appointment No. 21 (2024-2025)  
Roll of Attorney No. 54616  
PTR No. 2863274, 1-02-25, Pasig City  
IBP No. 491278, 01-01-25, Quezon City  
Roll No. 54616  
MCLE Compliance No. VII-0018930, 05-25-22

March 6, 2025

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

Attention: Disclosure Department

Subject: 2025 Final Report on the Disbursement of Proceeds from the Sale of Seda Lio

Dear Gentlemen,

We are pleased to submit our Final Report on the Application of Proceeds, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

Ayala Land, Inc. ("ALI") received total net proceeds from the sale of Seda Lio amounting to One Billion Two-Hundred Sixty-Three Million Five Hundred Two Thousand Pesos (₱1,263,520,000.00). Initial proceeds were received on January 30, 2024 amounting to ₱1,203,920,000.00 and the balance on September 26, 2024 amounting to ₱59,600,00.00

As of January 29, 2025, ALI already disbursed total net proceeds from the sale of Seda Lio.

The details of the disbursement are as follows:

Balance of Proceeds from sale of Seda Lio as of Feb 1, 2024	Php 1,263,520,000.00
Less: Disbursements from February 1, 2024 to January 29, 2025 (Annex A)	1,263,520,000.00
Balance of Proceeds from sale of Seda Lio as of January 29, 2025	<u>Php 0</u>

Thank you.

Very truly yours,



**Augusto D. Bengzon**  
Ayala Land, Inc.  
Chief Finance Officer and Treasurer



**Ma. Teresa R. Famy**  
AREIT, Inc.  
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this MAR 06 2025 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i> Augusto D. Bengzon	Passport No. P4323352B	Issued 08 January 2020 / DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i> Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration 05 December 2033

Doc. No. 309;  
Page. No. 63;  
Book No. VII;  
Series of 2025.



*[Signature]*  
MA. FELORA A. MANGAWANG  
Notary Public - Makati City  
Appt. No. M-158 until December 31, 2025  
Roll of Attorneys No. 64804  
Lifetime IBP No. 013749 - Makati City  
PTR No. MKT10473034 - 01/06/2025 - Makati City  
MCLE Compliance No. VII -0006702 - 11/18/2021  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

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

**ANNEX A - Disbursements from Feb 1, 2024 to January 29, 2025**

<b>Project Name</b>	<b>Disbursing Entity</b>	<b>Amount (in PHP)</b>
Seda Manila Bay	Ayala Land, Inc.	60,121,992.01
Lio Estate	Ten Knots Philippines, Inc.	80,767,984.20
Arillo Estate	Ayala Land, Inc.	37,070,428.68
Nuvali Technohub	Ayala Land, Inc.	421,521,305.68
Evo Technohub	Ayala Land, Inc.	664,038,289.43
<b>Total</b>		<b>1,263,520,000.00</b>



## **Agreed-Upon Procedures Report**

To the Management of  
Ayala Land, Inc.  
31<sup>st</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

## **Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Ayala Land, Inc. (the "Company") in connection with the Company's compliance with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company on the Final Progress Report for the period from February 1, 2024 to January 29, 2025 relating to the use of proceeds received by the Company from the sale of its Seda Lio property, with initial amount received on January 30, 2024 and the remaining balance on September 26, 2024, and may not be suitable for another purpose.

## **Responsibilities of the Engaging Party**

The management of the Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

## **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with Philippine Standard on Related Services (PSRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

## **Professional Ethics and Quality Control**

We have complied with the ethical requirements in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We have also complied with the independence requirements in accordance with Part 4A of the International Ethics Standards Board for Accountants (IESBA) Code.



Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the letter of engagement dated March 5, 2025, on the use of proceeds received by the Company from the sale of its Seda Lio property:

Procedures	Findings
Obtained the Final Progress Report on use of proceeds from the sale of its Seda Lio property (the "schedule") for the period from February 1, 2024 to January 29, 2025 and performed the following:	
a. Checked the mathematical accuracy of the schedule.	No exceptions were noted.
b. Checked whether there were additions and disbursements in the schedule and compared with the schedule of application of proceeds.	No exceptions were noted.
c. On a sample basis, traced additions and disbursements listed in the schedule for the period from February 1, 2024 to January 29, 2025 to the supporting documents such as progress billings, statement of account, invoices and official receipts, as applicable, and agreed the amount to the schedule.	No exceptions were noted.  We present in Appendix A the schedule for the period from February 1, 2024 to January 29, 2025 based on the information we obtained from the Company.
d. On a sample basis, inquired into and identified the nature of additions and disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the sale of its Seda Lio property.	No exceptions were noted.  We have noted that the Sponsor Reinvestment Plan dated September 26, 2024 included the proceeds from the sale of its Seda Lio property amounting to P1,263,520,000.00. Such proceeds have been fully disbursed from February 1, 2024 to January 29, 2025 based on the information we obtained from the Company as presented in Appendix A.



**Restriction on Distribution and Use**

Our report is solely for the purpose set forth in the first paragraph of this report and is not to be used for any other purpose or to be distributed to any other parties.

A handwritten signature in black ink, appearing to read "R. Danao", with a long horizontal stroke extending to the right.

Roderick M. Danao

Partner

CPA Cert No. 88453

P.T.R. No. 0011280, issued on January 3, 2025, Makati City

TIN 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

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

Makati City

March 6, 2025



## Appendix A

Summary of Final Progress Report from February 1, 2024 to January 29, 2025 (Amounts are in PHP)

Distributing Entity	Project name	Total disbursements from February 1, 2024 to January 29, 2025
Ayala Land, Inc.	Seda Manila Bay	60,121,992.01
	Arillo Estate	37,070,428.68
	Nuvali Technohub	421,521,305.68
	Evo Technohub	664,038,289.43
Ten Knots Philippines, Inc.	Lio Estate	80,767,984.20
		<b>1,263,520,000.00</b>

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) S.S.

ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in behalf of the City of Pasig, Makati this 05 day of March 2025, by RODERICK M. DANA O who presented to me his CPA License ID No. 88453 issued by the Professional Regulation Commission in the City of Manila and valid until August 1, 2025, that he is the same person who personally signed before me the foregoing document and acknowledged that he executed the same.

Doc. No. 237 ;  
Page No. 49 ;  
Book No. I ;  
Series of 2025.

  
ATTY. MARIA ELIZABETH H. FRUELDA-LICUP  
Notary Public for Pasig City  
Appointment No. 21 (2024-2025) ;  
Roll of Attorney No. 54616  
PTR No. 2863274, 1-02-25, Pasig City  
ISP No. 491228, 01-01-25, Quezon City  
Roll No. 54616  
MCLE Compliance No. VII-0012930, 05-25-22



**Sustainability Report  
2024**

## Our ESG Approach

### Materiality Review and Sustainability Four Focus Areas

Aligned with its Sponsor's commitment to monitoring key issues such as the economic, environmental, and social impacts of its developments, AREIT adopts Ayala Land's ESG approach, operationalizing sustainability through four focus areas, and measuring and reporting its sustainability performance against global goals and standards.

AREIT has embraced Ayala Land's sustainability four focus areas—site resilience, pedestrian mobility and transit connectivity, resource efficiency, and local economic development—reflecting the Sponsor's practice of monitoring the economic, environmental, and social impacts of its developments.

Site resilience aims to reduce community vulnerability to the effects of climate change and natural disasters. Pedestrian mobility and transit connectivity initiatives enhance urban mobility. Resource efficiency initiatives address the ongoing depletion of natural resources. Local economic development efforts aim to mitigate socio-economic imbalances.

Originally identified in a 2014 materiality assessment, these focus areas remain relevant today, alongside issues emerging from the pandemic. They serve as fundamental frameworks for sustainability efforts within the Ayala Land Group, AREIT included, guiding operations, mitigating sustainability risks, and delivering value to the business, environment, and society.

AREIT focuses on resource efficiency and local economic development. While the construction, development, and master planning of AREIT properties are executed by its Sponsor, upon turnover of the properties – whether through acquisition or infusion – AREIT and its property management arm, AREIT Property Managers, Inc. (APMI), assume responsibility for the properties' operations and maintenance, ensuring alignment with Ayala Land's sustainability initiatives and targets. APMI, in turn, engages Ayala Property Management Corporation (APMC) for the management of the properties' physical buildings, equipment, and common area services.

### Ayala Land's Four Focus Areas and the UN Sustainable Development Goals

With the establishment of the United Nations Sustainable Development Goals (SDGs) in 2015, Ayala Land aligned each of the focus areas with the relevant SDGs.

#### Site Resilience

Extreme weather events, rising sea levels, and other hazards associated with climate change can undermine AREIT's properties and operations. Sponsor Ayala Land strengthens the corresponding sites to enable them to quickly recover from environmental stress, by undertaking technical due diligence for geohazards, providing space for refuge and rainwater absorption, and using native trees to enhance biodiversity and ecosystems.

#### Pedestrian Mobility and Transit Connectivity

AREIT properties are located within the master-planned Ayala Land estates, ensuring mobility and connectivity. These estates offer alternatives to using motor vehicles,

with numerous walkways, pedestrian-only areas, and convenient access to transit stops and transportation terminals in these places.

### Resource Efficiency

AREIT supports its Sponsor's goal of reaching their Net Zero targets by 2050 for all commercial properties. Ayala Land's operations and developments ensure that natural resources and construction materials, such as steel and cement, are used judiciously and efficiently, reducing overall consumption and GHG emissions. Energy and water conservation programs and waste management schemes with a circular economy approach in mind are also in place and are regularly audited for further improvement.

### Local Economic Development

AREIT's properties provide spaces for office and retail tenants, generating employment and business opportunities in their localities, contributing to nation building, and creating value for the community.

### AREIT's Material Topics and Global Reporting Frameworks

AREIT uses key sustainability reporting frameworks, including the UN Sustainable Development Goals (SDGs), six capitals of the Integrated Reporting Framework, Global Reporting Initiative (GRI) Indicators and Sustainability Accounting Standards Board (SASB) Material Topics, to measure and report its own performance and impact on local and global development.

The table below shows the relevant UN SDGs, GRI, and SASB topics that correspond to the Sponsor's four focus areas. Other material topics pertain to corporate governance, risk management, labor practices, and decent employment.

	Sustainability Four Focus Areas				Other Material Topics	
	Site Resilience	Pedestrian Mobility and Transit Connectivity	Resource Efficiency	Local Economic Development	Corporate Governance and Risk Management	Labor Practices and Decent Employment
<b>GRI</b>	<b>303:</b> Water and Effluents <b>307:</b> Environmental Compliance	<b>203:</b> Indirect Economic Impacts <b>416:</b> Customer Health and Safety	<b>204:</b> Procurement Practices <b>301:</b> Materials <b>302:</b> Energy <b>303:</b> Water and Effluents <b>305:</b> Emissions <b>306:</b> Waste <b>308:</b> Supplier Environmental Assessment	<b>202:</b> Market Presence <b>203:</b> Indirect Economic Impacts	<b>201:</b> Economic Performance <b>205:</b> Anti-Corruption <b>206:</b> Anti-Competitive Behavior	<b>403:</b> Occupational Health and Safety
<b>SASB</b>	<b>IF-RE-450:</b> Climate Change Adaptation		<b>IF-RE-130:</b> Energy Management <b>IF-RE-140:</b> Water Management		<b>IF-RE-450:</b> Climate Change Adaptation	

			<b>IF-RE-410:</b> Management of Tenant Sustainability Impacts <b>IF-RE-450:</b> Climate Change Adaptation			
<b>UN SDGs</b>	<b>13:</b> Climate Action <b>15:</b> Life on Land	<b>3:</b> Good Health and Well-Being <b>9:</b> Industry, Innovation, Infrastructure	<b>6:</b> Clean Water and Sanitation <b>12:</b> Responsible Consumption and Production <b>17:</b> Partnerships for the Goals	<b>1:</b> No Poverty <b>8:</b> Decent Work and Economic Growth <b>10:</b> Reduced Inequalities <b>17:</b> Partnerships for the Goals		<b>5:</b> Gender Equality <b>8:</b> Decent Work and Economic Growth

### Stakeholder Engagement

AREIT engages with stakeholders through diverse channels to understand and address issues and concerns, fostering strong relationships and creating long-term shared value creation.

Stakeholder	Issues and Concerns of Stakeholders	Engagement Means and Initiatives
Tenants, Tenant Employees, Hotel Guests, and Shoppers	<ul style="list-style-type: none"> <li>Customer health, welfare and safety</li> <li>Customer service and experience</li> <li>Delivery of best-in-class products and services</li> <li>Facilities management</li> <li>Green building certifications</li> <li>Management of environmental and social impacts</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Digital platforms</li> <li>Customer satisfaction surveys</li> <li>Loyalty and appreciation programs</li> <li>E-newsletters</li> <li>AREIT website</li> <li></li> </ul>
Employees and Workers  Note: AREIT's entire workforce, including its officers, are seconded from Sponsor Ayala Land and its subsidiaries.	<ul style="list-style-type: none"> <li>Occupational health, welfare and safety</li> <li>Training and career development</li> <li>Compensation and rewards</li> <li>Labor practices and human rights</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Access to healthcare services</li> <li>Townhalls, monthly or quarterly updates</li> <li>Organizational climate surveys</li> <li>Grievance mechanisms and channels</li> <li>Performance reviews</li> <li>Training and learning sessions; blended learning modalities</li> </ul>
Business Partners Suppliers and Service Providers	<ul style="list-style-type: none"> <li>Compliance with all laws, regulations, codes and standards</li> </ul>	<ul style="list-style-type: none"> <li>Training and webinar sessions</li> <li>One-on-one meetings</li> </ul>

	<ul style="list-style-type: none"> <li>• Productivity and timely delivery of products and services</li> <li>• Occupational and customer health, welfare and safety</li> <li>• Labor practices and human rights</li> <li>• Procurement practices</li> <li>• Management of environmental and social impacts</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Policies and memos</li> <li>• Vendor's Code of Ethics</li> <li>•</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>• Financial and Operating Performance</li> <li>• Debt servicing capacity</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Sustainability and Capital Management Strategies</li> <li>• Regular engagement with partner banks and investors</li> <li>•</li> </ul>
Shareholders and Analysts	<ul style="list-style-type: none"> <li>• Financial and Operating Performance</li> <li>• Debt servicing capacity</li> <li>• Recovery and growth plans</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Sustainability, Capital Management Strategies, and Recovery and Growth Initiatives</li> <li>• Regular engagement with investors through one-on-one meetings, investor conferences and roadshows, and quarterly briefings</li> <li>•</li> </ul>
National and Local Government Units	<ul style="list-style-type: none"> <li>• Compliance with all laws, regulations, codes and standards</li> <li>• Economic development</li> <li>• Management of environmental and social impacts</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Conferences and meetings</li> <li>• Participation in government consultations</li> <li>• Partnerships in national and local projects, programs and initiatives</li> <li>• Dialogues and meetings with stakeholders, including leaders at the barangay, local government and national agency levels</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Timely and accurate news</li> <li>• Transparency</li> </ul> <p>ESG (environmental, social and governance) performance</p>	<ul style="list-style-type: none"> <li>• Media conferences and briefings</li> <li>• News releases and fact sheets</li> <li>• Social gatherings</li> <li>• One-on-one meetings</li> <li>• Through third-party consultants</li> <li>• Annual reports</li> <li>• AREIT website</li> </ul>
National and Local Government	<ul style="list-style-type: none"> <li>• Compliance with all laws, regulations, codes, and standards</li> </ul>	<ul style="list-style-type: none"> <li>• Conferences and meetings</li> </ul>

	<ul style="list-style-type: none"> <li>• Economic development</li> <li>• Management of environmental and social impacts</li> <li>• Concerns of communities pertaining to development of projects</li> <li>• Support to the government projects and activities</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in government consultations</li> <li>• Partnerships in local and national projects, programs, and initiatives</li> <li>• Dialogues and meetings with leaders at the barangay, local government, and national agency levels</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Timely and accurate news</li> <li>• Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• News releases</li> <li>• Through third-party consultants</li> <li>• Annual reports</li> <li>• ALLHC website and social media platforms</li> </ul>

## Environmental Stewardship

AREIT is fully aligned itself with its Sponsor's sustainability principles, exemplified by its Four Focus Areas and integrated into the operations of the properties. Moreover, AREIT is committed to reducing its carbon emissions, in line with the Net Zero 2050 targets of Ayala Land.

### Pedestrian Mobility and Transit Connectivity

Most of AREIT's properties are strategically located in the mixed-use, integrated, and sustainable estates of Ayala Land enabling accessibility to commuters and pedestrians.

In the Makati CBD, Ayala North Exchange and Solaris One are seamlessly connected to the estate's elevated walkway and underpass network, providing direct access to the main transport hubs in Ayala Center. These buildings are also conveniently situated near bus and jeepney stops along Ayala Avenue.

The McKinley Exchange Center, strategically located at the intersection of Ayala Avenue and EDSA (Epifanio delos Santos Avenue), serves as a key location linking the northern and southern sections of Metro Manila. Located on the northbound side of EDSA, it features a terminal for public utility vehicles going into Bonifacio Global City (BGC) in Taguig, serving as a main entry point into BGC. Additionally, McKinley Exchange Center is connected to the new One Ayala Center through an elevated covered walkway.

The One Ayala Terminal, operational since 2023, significantly improved the commuter experience going in and out of the Makati CBD. This terminal serves north- and south-bound buses, AUVs, jeepneys, and offers a direct connection to the MRT Ayala station. Located at the strategic corner of EDSA and Ayala Avenue, the terminal facilitates seamless connectivity for thousands of commuters daily.

Teleperformance Cebu is located within the 27-hectare Cebu I.T. Park, strategically positioned near the Ayala Land's Central Bloc mixed-use development, which currently hosts a mall, a Seda hotel, and two office towers.

### Resource Efficiency

AREIT properties adhere to Ayala Land's principle of resource efficiency, implementing measures to promote the conscientious use of energy and water and the management of waste.

### Energy Management

Electricity conservation in the properties remains a priority to manage the overall increase in consumption and costs of electricity.

With the new acquisitions and the return to normal operations of the malls and offices, the total electricity consumption rose to 228.7 million kWh, compared to 168.3 million kWh in the previous reporting year.

Energy Consumption (kWh)	2020	2021	2022	2023	2024
Within the Organization	10,403,113	13,185,164	28,460,217	45,773,404	92,278,740
Outside the Organization	13,262,268	41,659,610	44,434,916	122,551,737	136,418,926
<b>Total</b>	<b>23,685,381</b>	<b>54,844,744</b>	<b>72,895,133</b>	<b>168,325,141</b>	<b>228,697,666</b>

The overall energy intensity in 2024 also increased by 15% for whole building electricity consumption. As the portfolio mix varies from year to year, intensity ratios may not be representative of the trend in electricity consumptions.

Electricity Intensity	Unit	2020	2021	2022	2023	2024
Whole Building	kWh/sqm GFA	125.48	107.96	140.46	165.14	189.93
Common Area	kWh/sqm GCA	188.93	125.29	147.55	160.34	241.72
Leased Area	kWh/sqm GLA	99.35	103.33	129.98	155.36	165.88

*Legend: GFA – Gross Floor Area; GCA – Gross Common Area; GLA – Gross Leasable Area*

### Water Management

Water consumption of properties also saw a significant growth, consistent with the increase in the number of properties managed. The rebound of mall operations and return-to-office mandate for tenants also contributed to these significant increases.

Total water consumption of 2.7 million cubic meters was a 47% increase compared to the previous year. Water intensity, measured as cubic meter consumption per square meter (sqm) of occupied floor area, was at 4.68 for common areas, and 1.08 for leased areas.

Water Consumption (m <sup>3</sup> )	2020	2021	2022	2023	2024
Within the Organization	191,705	278,755	429,024	1,424,758	1,780,450
Outside the Organization	92,883	144,302	151,528	398,341	891,168
<b>Total</b>	<b>284,588</b>	<b>423,057</b>	<b>580,552</b>	<b>1,823,099</b>	<b>2,671,618</b>

Water Intensity	Unit	2020	2021	2022	2023	2024
Whole Building	m <sup>3</sup> /sqm GFA	1.51	0.83	1.21	1.79	2.22
Common Area	m <sup>3</sup> /sqm GCA	3.48	2.65	3.10	4.99	4.68
Leased Area	m <sup>3</sup> /sqm GLA	0.69	0.37	0.44	0.50	1.08

*Legend: GFA – Gross Floor Area; GCA – Gross Common Area; GLA – Gross Leasable Area*

Water conservation programs across all properties included the upgrade of fixtures to eco-efficient models.

### Net Zero

AREIT supports its Sponsor's goal to achieve Net Zero targets by 2050 across all commercial properties. The company continues to seek opportunities to shift its properties to renewable energy (RE) sources under the Green Energy Option Program (GEOP).

### Renewable Energy

As of the end of 2024, 99% of AREIT's total gross floor area (GFA) buildings are purchasing electricity from renewable energy sources. Additionally, 94% of AREIT's common area electricity consumption comes from renewable sources or is accompanied by quality RE certificates.

Energy Consumption (Within the Organization)	2020	2021	2022	2023	2024
Electricity (Renewable)	3,708,120	9,812,258	23,709,268	45,255,903	87,090,010
Electricity (Non-renewable)	6,694,993	3,322,564	4,750,949	517,501	5,188,730
<b>Total</b>	<b>10,403,113</b>	<b>13,134,822</b>	<b>28,460,217</b>	<b>45,773,404</b>	<b>92,278,740</b>

## Emissions

Aligned with its Sponsor's Net Zero targets, AREIT aims to reduce greenhouse gas emissions for Scopes 1, 2 and 3 across its operations.

In 2022, an inventory of the emissions was completed with a 2021 base year, assisted by third-party consultant South Pole. Strategies and action plans to achieve near-term and long-term GHG emissions targets were identified by the different business units. The Net Zero roadmap was completed in 2023, and in 2024, Ayala Land received validation of its Net Zero targets from the Science Based Target Initiative (SBTi).

In 2024, net emissions from AREIT operations were at 16,561 tCO<sub>2</sub>e., with reductions largely due to the shift of properties to renewable energy.

	2021 Base Year (in tCO <sub>2</sub> e)	Gross Emissions	Reductions from RE	Net Emissions as of 2024
Scope 1	-	2,615	-	2,615
Scope 2	3,682	75,039	71,936	3,102
Scope 3	4,350	108,545	97,701	10,844
<b>Total</b>	<b>8,032</b>	<b>186,198</b>	<b>169,637</b>	<b>16,561</b>

Consistent with the increase in the growth of the business, emissions intensity is on an upward trajectory. AREIT continues to prioritize shifting to renewable energy sources and collaborates with its tenants and locators on decarbonization programs.

Emissions Intensity	2020	2021	2022	2023	2024
Whole Building	49.52	21.23	17.09	9.00	13.75
Common Area	72.70	48.71	30.29	32.14	43.38
Leased Area	39.97	13.90	12.03	11.63	20.14

## Circular Economy

### Solid Waste

AREIT has adopted a circular approach to waste management, in line with its Sponsor's practice. With assistance from Ayala Property Management Corporation (APMC), waste generated by AREIT's properties is either recycled, composted, or sent to the municipal landfill.

Total waste generated increased by 46.8% from 2023 levels to 6.45 million kg due to the higher number of properties included in the reporting scope as well as increased on-premises commercial activities. As of the end of 2024, waste diversion efforts resulted in 2,880 tonnes of waste diverted from landfills, equivalent to 45% of total waste generated for the year.

<b>Solid Waste Generation and Diversion (kg)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Total Waste Generation</b>	<b>365,350</b>	<b>1,048,674</b>	<b>1,210,588</b>	<b>4,394,276</b>	<b>6,451,045</b>
Sent to Landfill					
Food	173,915	306,168	454,652	1,005,031	835,241
Residual	173,815	344,190	361,494	1,760,602	2,388,414
Compostable	9,928	364,648	206,686	363,620	222,673
Other Landfilled Waste				118,127	124,099
Diverted from Landfill					
Sent to Recyclers	7,692	33,667	187,756	329,172	1,686,515
Composted Waste				809,076	1,155,850
Plastics sent to Ecohub				8,648	38,254

AREIT's goal is to reduce waste in both common areas and tenant/merchant areas as well as divert waste from landfills through different strategies including composting and partnering with service providers that effectively reuse or recycle waste.

### **Hazardous Waste**

AREIT, through APMC, complies with the requirements of proper hazardous waste management in accordance with Republic Act 6969 (Toxic Substances and Hazardous and Nuclear Waste Act of 1990) and Department of Environment and Natural Resources (DENR) Administrative Order 2013-22 (Revised Procedures and Standards for the Management of Hazardous Wastes).

AREIT's properties have designated hazardous wastes storage rooms and DENR-controlled Hazardous Wastes Generators' ID Numbers. All hazardous waste generated are transported and treated by DENR-accredited vendors.

Under the Bantay Kalikasan program of the ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI), used lead acid batteries, industrial oil, and waste electronic and electrical equipment are recycled, with proceeds from the sale of these materials donated to ALKFI for their reforestation programs. Other hazardous wastes are transported and treated by DENR-accredited transporters and disposal facilities. For every treated waste, a Certificate of Treatment is provided by haulers as proof of proper disposal and is reported by APMC to DENR.

Hazardous waste generation were managed in 2024 despite the increase in the number of properties and increase in commercial activities in the malls and offices.

<b>Hazardous Waste Generation (metric tonnes)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
D406 ULAB	2.67	23.55	10.10
D407 CFL	0.41	1.46	4.04
I101 Engine oil	10.01	32.46	7.86
I102 Vegetable Oil	-	-	9.70
J201 Containers	0.04	11.63	0.68
H802 Grease Wastes	0.52	133.77	32.88
F601 Solvent-based Wastes	0.01	0.07	0.12
M506 WEEE	0.26	2.66	0.64

*Legend: ULAB – Used lead acid batteries; CFL – Compact fluorescent lightbulbs; WEEE – Waste electrical and electronic equipment*

## Green Buildings

To verify the resource efficiency performance of the properties, AREIT shall pursue green certifications for its properties. The company aims to increase the share of green buildings in its portfolio by 2026. Currently, 63% of its expanded office buildings portfolio, in terms of gross floor area, have secured certifications from IFC's EDGE or USGBC's LEED.

In September 2023, AREIT signed an agreement with International Finance Corporation (IFC) to signify its commitment to pursue IFC's EDGE Zero Carbon Certification for 1.5 million square meters of AREITs commercial office buildings. EDGE provides a pathway to net zero through EDGE Zero Carbon, the highest level, by measuring and verifying the efficient use of resources such as energy, water, and materials.

As of the end of 2024, AREIT has received IFC EDGE Certification for 20 office buildings with a gross floor area of 802,000 square meters. Among these buildings, 14 are EDGE Zero Carbon-certified, while the remaining six are EDGE Advance certified and on track to achieve EDGE Zero Carbon certification by the end of 2025.

Ayala Land and AREIT aim to secure EDGE Zero Carbon certification for an additional 700,000 square meters of gross floor area, striving to meet their goal of certifying 1.5 million square meters by 2025.

One Evotech and Teleperformance Cebu are also USGBC LEED-certified. This brings the number of properties under the AREIT portfolio that have green certifications to 22, with a total gross floor area of 849,818 square meters.

Property Name	Green Certification as of December 31, 2024
ATG Tower Two	LEED Gold (2022) EDGE Zero Carbon
ACC Corporate Center	EDGE Advance
Ayala North Exchange BPO	LEED-certified (2022) EDGE Advance
Ayala North Exchange HQ	LEED-certified (2022) EDGE Advance
Bacolod Capitol Corporate Center	EDGE Advance
eBloc 1	EDGE Advance
eBloc 2	EDGE Zero Carbon
eBloc 3	EDGE Zero Carbon
eBloc 4	EDGE Advance
Glorietta Corporate Center 1	EDGE Zero Carbon
Glorietta Corporate Center 2	EDGE Zero Carbon
McKinley Exchange Corporate Center	EDGE Zero Carbon
One Ayala Tower 1	EDGE Zero Carbon
One Ayala Tower 2	EDGE Zero Carbon

One Evotech	LEED Silver (2011)
Solaris One	EDGE Zero Carbon
Teleperformance Cebu	LEED Gold (2012)
The 30th BPO	EDGE Zero Carbon
The District North Point BPO	EDGE Zero Carbon
Vertis North Corporate Center 1	EDGE Zero Carbon
Vertis North Corporate Center 2	EDGE Zero Carbon
Vertis North Corporate Center 3	EDGE Zero Carbon

## Social Engagement

AREIT actively engages its various stakeholders to deliver on its investment strategy of creating sustainable long-term value.

### Tenants, Tenant Employees, Hotel Guests, and Shoppers

Property managers serve as account managers who closely collaborate with the tenants' designated facilities managers. Regular meetings are held with tenants, with anchor tenants receiving weekly meetings and all other tenants receiving monthly meetings on average.

Office leasing officers regularly engage with key executives such as Country Heads, Vice Presidents for Operations, and Regional or Global Real Estate Heads to discuss operational issues and expansion plans.

Property managers also conduct regular coordination meetings with retail tenants to address concerns and ensure smooth business operations.

To keep tenants informed about key developments affecting the property, property managers maintain a central messaging group and post notices in common areas and lobbies.

Customer satisfaction surveys are conducted to gauge tenant satisfaction. In 2024, AREIT office properties achieved an average score of 90%. Seda Hotels in AREIT's portfolio, namely Seda Residences Makati, Seda Lio, and Seda Ayala Center Cebu, received an overall guest satisfaction rating of 91.0% in 2024. It also scored high in the Net Promoter Score (NPS), a measure of customer loyalty and the likelihood of recommending the brand. The Seda hotels achieved a NPS of 66.5, higher than the global hotel industry NPS of 59 for upscale properties.

### Employees and Workers

AREIT's entire workforce, including its officers, are seconded from Sponsor Ayala Land and its subsidiaries.

Ayala Land prioritizes employee well-being through programs that build on their capabilities, support high performance levels, and promote their health and safety at all times.

### Contribution to Local Economic Development

AREIT contributes to local employment through its tenants and service providers. As of end-2024, its properties provided employment opportunities to 77,670 tenant employees and 811 service providers.

Year	Tenant Employees	Service Providers
2022	45,457	917
2023	68,772	1,006
2024	77,670	811

### Health and Safety

As of end-2024, no major incident was recorded in the properties.

### **Compensation and Rewards**

All employees of AREIT are seconded from Ayala Land and receive no compensation, salary or per diem from AREIT.

The Sponsor provides compensation and benefits to the seconded employees following practices as mandated by national labor laws and its own performance incentives program. The company rejects any form of forced and compulsory labor. All regular employees receive life insurance, in-patient and out-patient health coverage, disability and invalidity coverage, retirement benefits, and medical allowances. Project employees are provided with health insurance coverage and are entitled to service incentive leaves and overtime pay.

The Sponsor also provides variable pay such as performance-based incentives directly linked to an individual's key deliverables established at the start of the year.

### **Ethical Behavior**

AREIT upholds high standards of accountability and ethics in line with the Sponsor's code of ethics. The company regards its personnel with the utmost respect and professionalism.

Any individual or entity may report suspected irregularities or misconduct involving AREIT employees, business partners, suppliers, and service providers through the Ayala Land Group's business integrity channels. These reports may be sent to the Sponsor's whistleblower officer at [myreport@ayalaland.com.ph](mailto:myreport@ayalaland.com.ph), through SMS at +63 917 3118510, face-to-face meetings, and the website of Ayala Land's auditor, <https://proactivehotline.grantthorntonsolutions.ph/report/aligroup/>.

### **Business Partners, Suppliers, and Service Providers**

<GRI 204, 205, 308>

AREIT recognizes the rights of all business partners, suppliers, and service providers, and is committed to fostering long-term, mutually beneficial relationships through impartial dealings and adherence to strict moral and ethical conduct.

The company ensures that vendors and trade partners have equal opportunities and promotes fair and open competition by encouraging the highest level of productivity, efficiency, quality, and cost-competitiveness.

Suppliers of AREIT are accredited based upon their full compliance with the Sponsor's standards and requirements, with a preference for those who practice environmental responsibility. AREIT actively supports the Sponsor's "greening the supply chain" campaign, requiring suppliers to accomplish a "Green Metrics" form to confirm their environmental and social practices, including initiatives on managing environmental impacts and sustainability reporting. Whenever feasible, materials and supplies are sourced locally.

To enforce compliance with policies to prevent fraudulent activities, AREIT's Internal Audit Division conducts vendor audits with its business partners, suppliers, and service providers in accordance with the provisions of the Sponsor's Vendor's Code of Ethics. This code undergoes regular updates to enhance its provisions and align with ISO guidelines for Sustainable Procurement 20400:2017.

In 2024, no audits were conducted on vendors of AREIT's properties based on the company's risk assessment during the year.

At AREIT, there is zero tolerance for child labor and modern slavery. Vendors, service providers, and suppliers undergo thorough audits to ensure that they do not employ underage or illegally deployed workers in their operations. No aspect of our operations has been identified as susceptible to child, forced, or any other form of illegal labor.

### **Creditors**

AREIT acknowledges the rights of its creditors and is committed to honoring its contracted financial obligations and covenants. Creditors have access to readily available information about AREIT for them to adequately assess the company's credit standing. As of the end of 2024, AREIT has outstanding debt of P2.0 billion with a net gearing of 0.02:1, 5.89% of its deposited property value, well within the 35% average aggregate limit for Philippine REITs.

### **Shareholders and Analysts**

#### **Shareholders' rights to participate in decisions concerning fundamental corporate changes**

Shareholders have the right to participate in decisions concerning fundamental corporate changes, including amendments to AREIT's articles of incorporation and bylaws, issuances of additional shares, transfer of all or a substantial portion of the company's assets, approval of remuneration-related matters, nomination of candidates for the board, and election of directors through voting.

#### **Shareholders' voting rights**

Each common share of AREIT grants the shareholder registered in the corporation's books one voting right.

#### **Shareholders' rights to participate effectively and vote in General Shareholder Meetings**

Each shareholder is entitled to as many votes as the shares registered under the shareholder's name.

Shareholders are given the right to approve remuneration-related matters of the company's non-executive and independent directors during general meetings, whether regular or special.

Non-controlling or minority shareholders have the right to nominate candidates to the Board of Directors.

#### **Analyst briefings, investor meetings, roadshows and conferences**

AREIT conducts semi-annual briefings for both equity and credit analysts and communicates directly with institutional and individual investors through on-on-one meetings, video conference calls, and written communications such as e-mail.

The President and CEO, Chief Finance Officer, together with the Head of Investor Relations, periodically join investor conferences and non-deal roadshows, virtually

and in-person, organized by stockbrokers to ensure regular discussions with institutional shareholders.

AREIT also facilitates property tours to provide investors with a better appreciation of its assets and operations.

In 2024, AREIT hosted two virtual analyst briefings, on February 21 and August 15, to discuss the FY 2023 and 1H 2024 results, respectively.

#### **National and Local Government**

AREIT supports the initiatives of both the national and local governments, especially on the implementation of safety protocols in its properties. It regularly coordinates with the Bureau of Fire Protection and the Office of the Building Official. Its properties participate in the nationwide earthquake and fire drills organized by the National Disaster Risk Reduction Management Council. Its property management teams also participate in the safety competitions led by the Safety Organization of the Philippines.

#### **Media**

AREIT regularly engages the media through briefings and news releases. It is focused on accessibility, making sure that media inquiries and concerns are addressed in a timely manner via e-mail, phone, and other means of communication.

AREIT aims to establish an honest and transparent relationship with media representatives through appropriate communication and regular coordination. AREIT's media engagement is always guided by the company's commitment to good corporate governance and high ethical standards.