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Isla Lipana & Co.

9 March 2022
The Board of Directors
AREIT Fund Managers, Inc.
28/F Tower One & Exchange Plaza,
Ayala Triangle, Ayala Avenue
Makati City, 1226, Philippines

Gentlemen:

You, the Board of Directors of AREIT Fund Managers, Inc. ("You", the "Company", "AFMI" or the "Management"), as the Fund Manager of AREIT, Inc. ("AREIT"), have requested our opinion ("Opinion") as to the fairness of the values of the six (6) commercial properties (the "Properties") owned by Ayala Land, Inc. ("ALI" or the "Parent"), and the shares of AREIT (the "Shares") (collectively, the "Subject Entities"), to comply with the requirements of the Philippine Stock Exchange and/or Securities and Exchange Commission in relation to the planned infusion of the Properties to AREIT, Inc. (the "Transaction").

The six commercial properties are eBloc Towers 1 to 4 in Cebu IT Park, Ayala Center Cebu Tower, and Tech Tower.

The Valuation Date is 31 December 2021.

In connection with our Opinion, we have:

i. Considered certain financial, operational, and other information relating to AREIT and the Properties that were publicly available or have been furnished to us by Management, including historical performance and financial forecasts of AREIT and the Properties;

ii. Discussed with members of the Management to understand the businesses, operations, historical financial results, strategic plans, and financial forecasts of AREIT and each of the Properties;

iii. Considered certain financial data of AREIT and the Properties and compared those with data for other entities and/or properties with similar operations, as available publicly;

iv. Performed discounted cash flow (DCF), comparable companies, and precedent transactions approaches in estimating the value of the Shares;

v. Performed discounted cash flow (DCF) and direct capitalization approaches in estimating the value of the Properties; and

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vi. Considered such other information, analyses and investigations and financial, economic and market data as we deemed relevant and appropriate for purposes of this Opinion.

The Opinion expressed below is subject to the following qualifications and limitations:

i. In arriving at our Opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all financial and other information that were publicly available or furnished to us by the Management on AREIT and the Properties. With respect to the financial forecasts used by us, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the Management as to AREIT's and the Properties' future financial performance, and incorporating the potential impact of COVID-19 on their operations based on Management's assessment, strategy, and recovery expectations and plans.

ii. In arriving at our Opinion, we have adopted the relevant provisions of the latest edition of the International Valuation Standards (IVS) in the valuation report dated 9 March 2022 for AREIT and the Properties. In particular, we have used the following relevant provisions in performing the valuation analyses and procedures:

(a) IVS 101 scope of work,

(b) IVS 103 reporting,

(c) IVS 104 bases of value,

(d) IVS 105 valuation approaches and methods,

(e) IVS 200 business and business interests,

(f) IVS 400 real property interests[1]

iii. Our services with respect to the Transaction do not constitute, nor should they be construed to constitute in any way, a review or audit of or any other procedures with respect to any financial information nor should such services be relied upon by any person to disclose weaknesses in internal controls or financial statement errors or irregularities.

iv. Our Opinion does not address, and should not be construed to address, either the underlying business decision to effect the Transaction or whether the property valuation used in the Transaction represents the best price. We express no view as to the national or local tax consequences of the Transaction.

v. Our estimates of equity and/or property values reflect the cash flows estimated to be derived from leasing and other income of AREIT and the Properties.

[1] Relevant provisions include basis of value and guidelines on valuation approaches

vi. Our Opinion is based on the assumption that AREIT and the Properties will operate as going concern income-generating entity/assets.

vii. We have used third party industry reports and Management information in coming up with our assumptions and sensitivities. If these assumptions including revenues, lease rates, occupancy rates, escalation rates, operating expenses, capital expenditures, and other key estimates prove to be incorrect, the results of our valuation could be materially and adversely affected.

viii. Our Opinion is based on business, economic, market and other conditions as they exist as of the date hereof or as of the date of the information provided to us. We have not considered events subsequent to the date of our Opinion. Based on discussions with Management, we are not aware of any events subsequent to the Valuation Date and up to the date hereof that may materially impact the forecasted financial performance and other key inputs used in the valuation, or any circumstances that may materially impact the conclusions drawn in the valuation report.

ix. Our Opinion should not be construed as providing Management or any third party with investment advice. Neither are we expressing an opinion on the continued viability of the operations of the Subject Entities and the Properties.

x. We have not considered the impact of any force majeure events which may slow down or adversely affect the operations of AREIT and the Properties. To the extent appropriate and given the information made available to us, we have incorporated the potential impact of COVID-19 in the valuation where we considered the current company, property and market conditions in analyzing the reasonableness of the assumptions used. However, given uncertainties brought about by the pandemic, we do not purport to have fully accounted for its impact in the valuation.

xi. We did not examine and do not express an opinion on the fairness of the compensation in the Transaction to any of the Subject Entities' directors, officers or employees relative to the compensation to the Subject Entities' shareholders.

xii. Our Opinion assumed no significant change in the existing political, legal, and regulatory environment that might influence the business of AREIT and the Properties.

xiii. This Opinion is effective as of the date hereof. We have no obligation to update the Opinion unless requested by you in writing to do so and expressly disclaim any responsibility to do so in the absence of any such request.

Based upon and subject to the foregoing, it is our opinion that as of the Valuation Date, the fair valuation of AREIT's shares is between PHP39.70 and PHP44.67 using the Discounted Cash Flow approach, which we have cross-checked with the comparable companies, and precedent transactions approaches. Further, the fair value of the Properties were estimated to be between PHP10,724.3m to PHP11,858.1m using the discounted cash flows approach, which we cross-checked with the direct capitalization approach.

Based on the above, we are of the opinion that the values set by the Management for AREIT of PHP44.65 per share and PHP11,257.9m for the Properties is fair from a financial point of view.

We formed our Opinion in accordance with the requirements of SEC memorandum circular no. 13 series of 2013, Guidelines on the Conduct of Valuation and Issuance of a Fairness Opinion.

This Opinion is prepared by a team of professionals and has undergone a series of reviews by the senior members of the engagement team, and by a second partner that is independent from the engagement team.

During the execution of the valuation procedures, Isla Lipana & Co. has been compliant with the Firm's Code of Conduct and the Code of Ethics for Professional Accountants released by the International Ethics Standards Board for Accountants in 2018.

Further, the Firm has been compliant with the independence requirements of Securities Regulation Code (SRC) Rule 19 and the Philippine Stock Exchange (PSE) in relation to the Transaction. Specifically, SRC Rule 19 section 19.2.6.1 defines independence as the absence of any business interest or family relationship with any party to the Transaction or of any of its directors, officers, or major stockholders, that could, or could reasonably be perceived to, materially interfere with the exercise of the professional judgment of the Firm, its representative or any member of the engagement team, in carrying out their responsibilities in assessing the fairness of the issuer's securities. Moreover, per Memorandum No. 2011-0104, the PSE does not consider a firm to be independent if:

a. It is a related party to the applicant companies
b. Its holding or subsidiary company provides financial advisory in relation to the applicant companies' listing application, or external audit services to the applicant companies, and
c. There are other circumstances or arrangements, direct or indirect, between the firm and the applicant companies that, in the determination of the PSE, may influence, or tend to influence, the objectivity and reliability of the fairness opinion and valuation report(s).

Isla Lipana & Co. has no present contemplated future interest in the Subject Entities or any other interest that might tend to prevent making a fair and unbiased valuation. Further, while the Firm provides external audit services to the following AFMI's, AREIT's and ALI's affiliates and/or associate, we assessed that the relationships with these entities do not affect our capacity to provide an independent fairness opinion.

- Bank of the Philippine Islands (BPI) Group[2]
- Globe Telecom Inc (Globe) Group[2]
- OCLP Holdings[3]

We confirm that there was no interference, direct or indirect, from these entities in the Firm's performance of its obligations as a fairness opinion provider. The following measures were also observed during the course of the valuation engagement, to ensure the independence of the Firm in issuing a fairness opinion on the Transaction:

- Before agreeing to provide the services, the valuation engagement team assessed and concluded that the valuation engagement will not create a review threat, as the results thereof will not be reflected in the financial statements that are audited by the Firm.
- Key team members assigned to perform the valuation engagement, including engagement leader, managers and staff members, are not part of the key engagement team members performing the external audit services for the identified entities. Further, strict compliance with confidentiality measures were also implemented among team members all throughout the engagement.

We will receive a fixed fee as compensation for our services in rendering this Opinion. No portion of our fees or expense reimbursements is refundable or contingent upon the consummation of the Transaction or the tenor of the conclusions reached in this Opinion.

This letter is for the information of the Board of Directors of AREIT Fund Managers, Inc. in connection with the Transaction described herein. This Opinion may not be quoted or referred to, in whole or in part, filed with, or furnished or disclosed to any other party other than the Philippine Stock Exchange and Securities and Exchange Commission, or used for any other purpose, without our prior written consent.

Very truly yours,

Mary Jade T. Roxas – Divinagracia, CFA®, CVA
Managing Partner

[2] Affiliate of ALI, AREIT and AFMI
[3] Associate of ALI

Project Scott

Valuation of the properties of a real estate company and the shares of a REIT company

9 March 2022

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Deals and Corporate Finance
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AREIT Fund Managers, Inc.
28/F Tower One & Exchange Plaza,
Ayala Triangle, Ayala Avenue
Makati City, 1226, Philippines

For the attention of Patricia Gail G. Yambao-Samaniego, President of AREIT Fund Managers, Inc.

9 March 2022

Dear Ms. Yambao-Samaniego,

Valuation and issuance of fairness opinion for a swap transaction

This valuation report (the "Report") has been prepared by Isla Lipana & Co., a member firm of PwC, solely for AREIT Fund Managers, Inc. ("AFMI", the "Company") with respect to the estimation of fair values of the six (6) office buildings (the "Properties") owned by Ayala Land, Inc. ("ALI") and the shares of AREIT, Inc. ("AREIT", the "Shares") (collectively, the "Subject Entities"), and in issuing a fairness opinion on the value of the Properties and Shares as at 31 December 2021 (the "Valuation Date"). We understand that Ayala Land, Inc. is contemplating to infuse the Properties to AREIT (the "Transaction").

This Report has been prepared in accordance with our engagement letter dated 20 January 2022 and is solely for the purpose stated herein and should not be relied upon for any other purpose. This Report is strictly confidential and, save to the extent required by applicable law and/or regulation, must not be released to any third party without our expressed written consent.

If you require any clarification or further information, please contact me at +63 917 523 5913 or Darwin Saribay at +63 917 510 8069.

Sincerely yours,

Mary Jade T. Roxas – Divinagracia, CFA®, CVA
Deals and Corporate Finance

Scope and process (1 of 3)

Scope of work

To the fullest extent permitted by law, we accept no duty of care to any third-party in connection with the provisions of this Report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by applicable law, the Firm accepts no liability of any kind to any third-party and disclaims all responsibility for the consequences of any third-party acting or refraining to act in reliance on the Information.

Accordingly, you understand and accept that the Deals and Corporate Finance group of Isla Lipana and Co., a member Firm of PwC, has not been employed in the capacity of examining certified public accountants and therefore has not expressed any form of comfort or assurance on the achievability of forecasts or the reasonableness of underlying assumptions beyond what is generally accepted under the standards common to the asset and business value measurement profession.

We performed our procedures with the assumption that all information obtained in the valuation of the Properties and Shares, including representations and warranties by Management are true, accurate, and provided in good faith.

Moreover, the scope of our work does not include a compliance review of financial information to tax laws and Philippine and International financial reporting standards. Accordingly, this Report may not have identified all matters that might be of concern to you.

Forecasts relate to future events and are based on Management assumptions which may not remain valid for the whole of the relevant period. We express no assurance of any kind on such prospective or forecast information since there will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences in results may be material. Consequently, this Information cannot be relied upon to the same extent as that derived from audited accounts for completed accounting periods. Accordingly, we express no opinion as to how closely the actual results achieved will correspond to the forecasts, and we take no responsibility of any kind for the achievement of the forecast provided by the Management.

Scope and process (2 of 3)

Sources of information

The information used by the Firm in preparing this Report have been obtained from a variety of sources as indicated within it. These include public disclosures and information obtained, discussed, and agreed with you. **Specifically, the information used by the Firm in preparing this Report is substantially based on information provided by the Management.** These inputs include, but are not limited to:

- Unaudited standalone trial balances of AREIT and the Properties as of 31 December 2021;
- Audited financial statements of AREIT for 2019 and 2020, and ALI, Cebu Holdings, Inc, and Asian I-Office for 2017, 2018, 2019, and 2020 reporting periods;
- Tax declarations for AREIT and the Properties, and real property tax receipts for sample properties;
- Forecasted financial information for AREIT and the Properties;
- Lapsing schedules for AREIT and the Properties;
- Original acquisition cost and depreciation for AREIT and the Properties;
- Historical and forecasted operating statistics for AREIT and the Properties, particularly gross leasable area (GLA), lease rates, escalation rates, occupancy rates, common area charges, and estimated capital expenditures;
- Appraisal reports for AREIT and the Properties issued in 2021 and 2022;
- Sample lease agreements for Ayala North Exchange, Evotech 1 & 2, BPI Philam Life Makati, BPI Philam Life Alabang and Technopark Land, Inc;
- Summary lease terms for AREIT and the Properties; and
- Annual depreciation expense per property

Moreover, except where otherwise stated in the Report, we have not subjected the financial information in the Report to checking or verification procedures. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of AFMI, AREIT and ALI. Our work cannot be relied upon to discover errors, irregularities, or illegal acts.

Scope and process (3 of 3)

Limitations

Our Report is not intended to be the basis for investment decisions and any action you take must ultimately remain a decision for you, taking into account matters outside the scope of our work of which you are aware of.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value and we normally express our valuation as falling within expected ranges, which in our opinion is reasonable and defensible, and others might wish to argue for different values.

Our conclusions are based on the information available as at the date of the Report. **To the extent appropriate and given the information made available to us, we have incorporated the potential impact of COVID-19 in the valuation. We have considered current property and market conditions as a result of the pandemic in analyzing the reasonableness of assumptions used. However, given the uncertainties brought about by the pandemic, we do not purport to have fully accounted for its impact in the valuation.**

We have not considered events subsequent to the date of the Report. Based on discussions with Management, we are not aware of any events subsequent to the Valuation Date and up to the date hereof that may materially impact the forecasted financial performance and other key inputs used in the valuation, or any circumstances that may materially impact the conclusions drawn in the valuation report.

Additionally, conducting a transfer pricing study is not part of our scope. Accordingly, we relied on the lease rates provided by Management for the purpose of this valuation exercise.

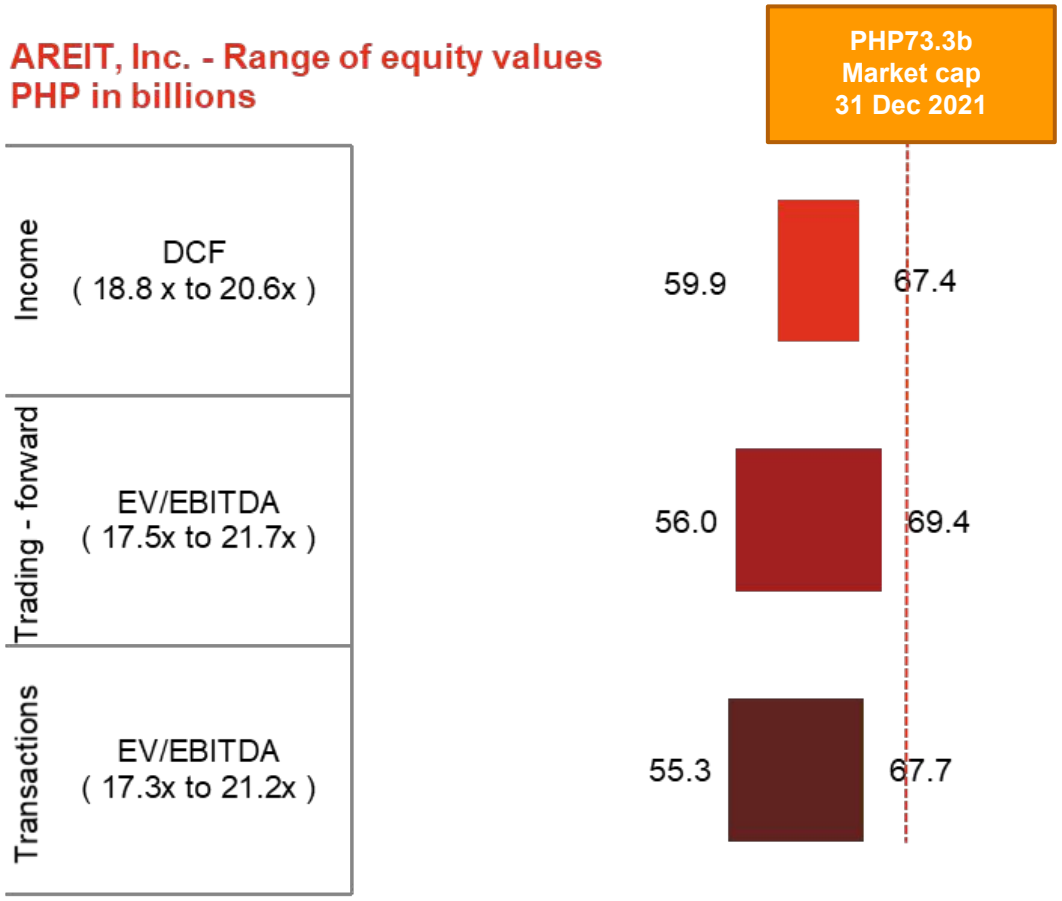
Economic conditions, market factors and changes in the performance of the business of the Subject Entities may result in our conclusions becoming quickly outdated and may require updating from time to time or before any major decisions are taken based on the Report. In any event, if you intend to make any decision based on the Report more than three months from the date of the Report, you must request our written confirmation as to the currency of our findings and conclusions.

At a glance

At a glance (1 of 3)

Highlights – The range of equity values of AREIT is estimated to be between PHP59.9b and PHP67.4b using the discounted cash flows approach, PHP56.0b and PHP69.4b using the comparable companies approach, and PHP55.3b and PHP67.7b using the precedent transactions approach.

AREIT, Inc. - Range of equity values
PHP in billions



Values in PHPm (except for value per share)	Low	High	Management
Sum of PV of cash flows	59,571.3	67,080.0	64,883.0
Add: NOAL	2,343.9	2,343.9	2,609.3
Enterprise value	**61,915.2**	**69,423.9**	**67,492.3**
Less: Net debt and debt-like items	(2,018.7)	(2,024.9)	(2,021.3)
Equity value	**59,896.5**	**67,399.0**	**65,471.0**
Value per share [3]	**39.70**	**44.67**	**43.39**

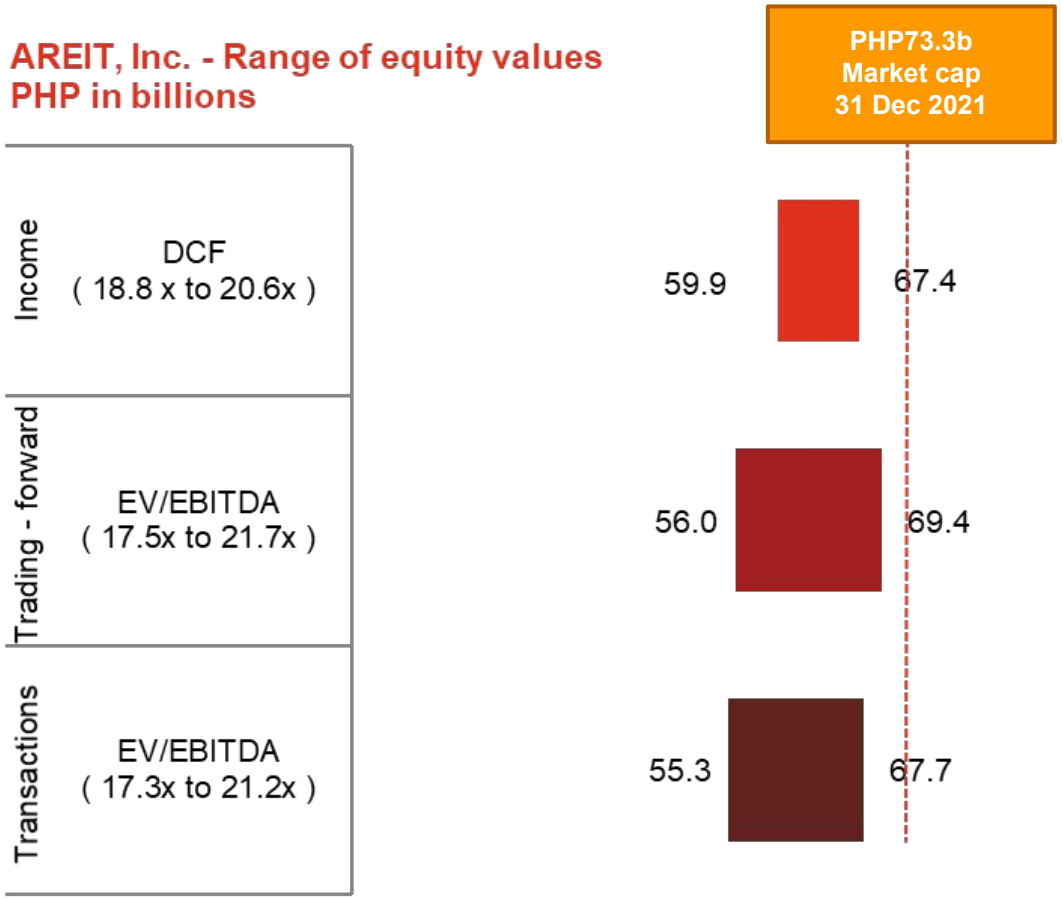
Notes:

1. The cash flows are discounted using a WACC of 8.0% using the Capital Asset Pricing Model.
2. The 30th Mall and Vertis Mall pay a fixed building lease to AREIT, but economic rights and operating income from the malls remain with North Eastern Commercial Corp. ("NECC"), a wholly owned subsidiary of ALI. The fixed building lease income from the malls, net of expenses, were considered in the valuation of AREIT.
3. The number of outstanding shares as of 31 December 2021("Valuation date") is 1,508,910,810 per PSE.
4. Values may not add up to due to rounding-off.

At a glance (2 of 3)

Highlights – The range of equity values of AREIT is estimated to be between PHP59.9b and PHP67.4b using the discounted cash flows approach, PHP56.0b and PHP69.4b using the comparable companies approach, and PHP55.3b and PHP67.7b using the precedent transactions approach.

AREIT, Inc. - Range of equity values
PHP in billions



Values in PHPm (except for value per share)	Low	High	Management
Sum of PV of cash flows	59,571.3	67,080.0	64,883.0
Add: NOAL	2,343.9	2,343.9	2,609.3
Enterprise value	**61,915.2**	**69,423.9**	**67,492.3**
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Equity value	**59,896.5**	**67,399.0**	**65,471.0**
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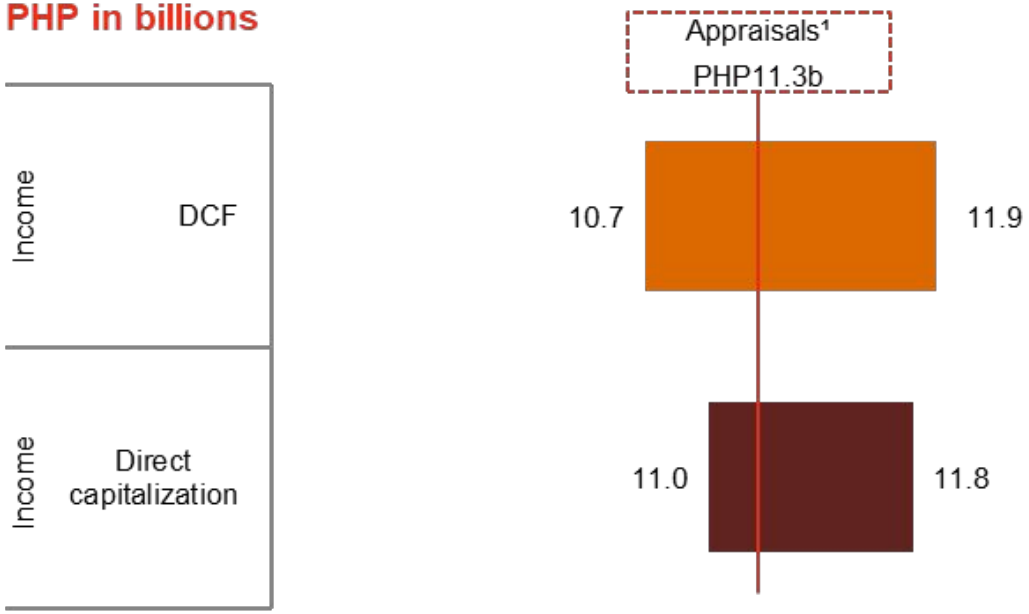
The range of values that we have independently estimated using a combination of the income and market approaches are lower than the traded price of AREIT as at Valuation date. We assessed this may be attributable to the following factors and circumstances, among others:

- Improved performance of the PSEi relative to benchmarks like MSCI Emerging Markets index;
- Interviews and discussions with key management personnel to better understand Management's outlook, expectations, and recovery plans;
- Access to detailed schedules and internal reports, documents, and analyses that the Management has provided, resulting in better visibility on AREIT's operations and strategies;
- Conduct of detailed procedures to estimate the intrinsic value of AREIT's existing assets using operating statistics, existing and planned capacity, and pricing policies/strategies of AREIT, among others, that are not publicly available and might not have been reflected in AREIT's market price; and
- Estimate of fundamental value based on the capacity of AREIT to generate future cash flows, instead of using technical analysis that may have factored in potential discounts for trading sentiment and market expectations.

At a glance (3 of 3)

Highlights – The range of values of the Properties is estimated to be between PHP10.7b to PHP11.9b using the discounted cash flows approach and PHP11.0b to PHP11.8b using the direct capitalization approach.

ALI properties - Range of equity values
PHP in billions



Values in PHPm	Low	High	Management
eBloc 1	2,030.9	2,314.7	2,115.6
eBloc 2	2,561.0	2,966.5	2,686.9
eBloc 3	1,338.6	1,467.2	1,365.9
eBloc 4	1,680.7	1,764.9	1,774.9
ACC (Ayala Center Cebu)	2,036.6	2,185.9	2,187.5
Tech Tower	1,076.5	1,158.9	1,210.4
Property Values	**10,724.3**	**11,858.1**	**11,341.2**

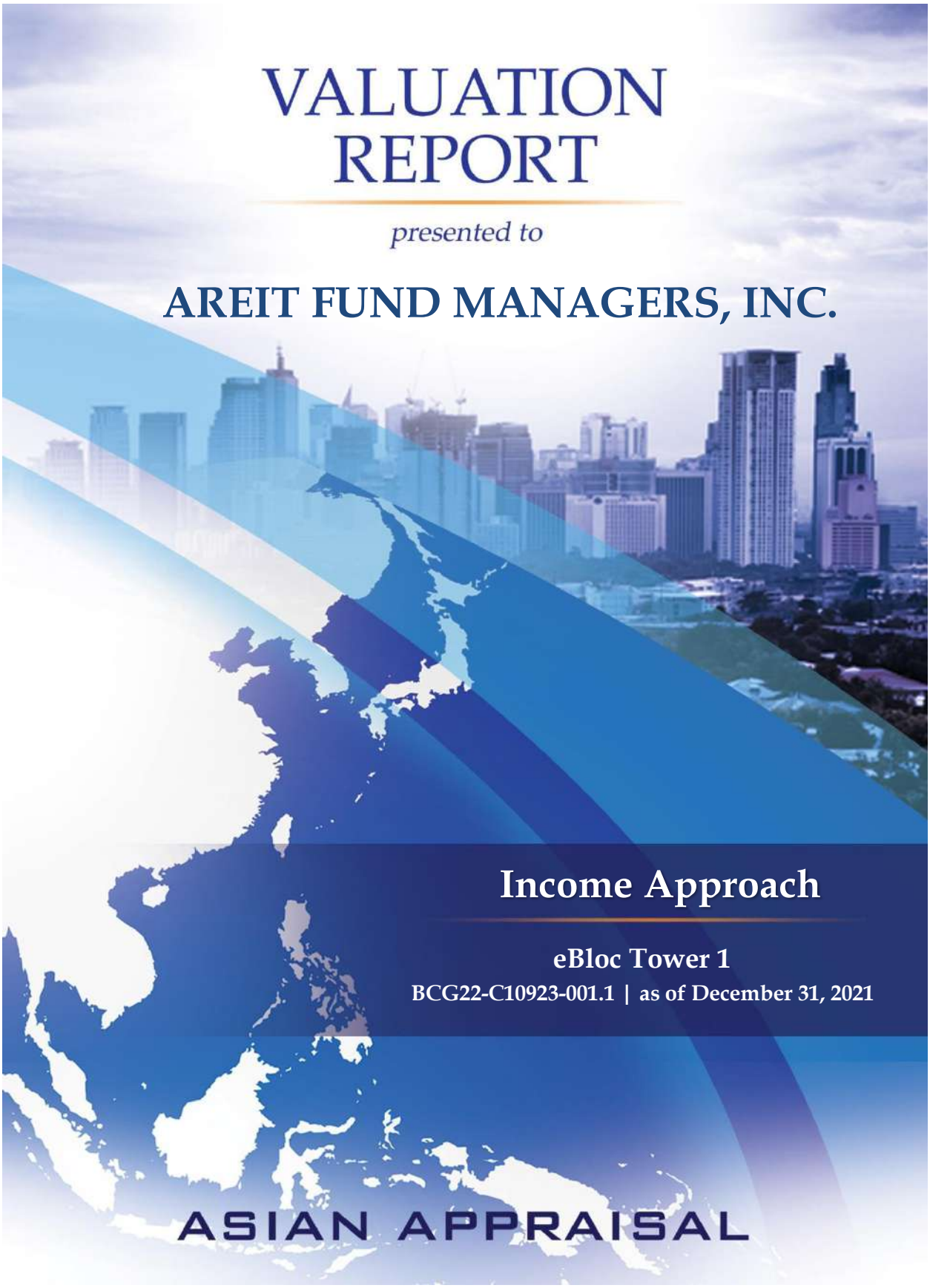
Notes
1. Based on latest appraisal reports provided by Management.
2. Property values using the discounted cash flows and direct capitalization approach are net of deposit liabilities that are part of the transfer.
3. The cash flows are discounted using a WACC of 8.0% using the Capital Asset Pricing Model.
4. Values may not add up to due to rounding-off.

Thank you.

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VALUATION
REPORT
presented to
AREIT FUND MANAGERS, INC.
Income Approach
eBloc Tower 1
BCG22-C10923-001.1 | as of December 31, 2021
ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

09 March 2022

AREIT FUND MANAGERS, INC.
30th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

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

Re: **AACI File No. BCG22-C10923-001.1**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of ***The eBloc Tower 1*** (the "PROPERTY") located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Purpose of the valuation:	For financial reporting purposes only.
Subject of the valuation:	The subject of the valuation is ***The eBloc Tower 1,*** located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.
Basis of value:	The valuation was made on the basis of ***fair value***. **Fair value** is defined as "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 (IFRS 13)." Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)
Valuation date:	The valuation date is as of 31 December 2021**.**

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
TWO BILLION
ONE HUNDRED SIX MILLION
FIVE HUNDRED FORTY THOUSAND ONLY
(In Words)

PHP2,106,540,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.

k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.

n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.

o) Erasures on appraisal date and values invalidate this valuation report.

p) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 AREIT FUND MANAGERS, Inc.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for financial reporting purposes only.

3 Basis of Value

The basis of value shall be **fair value** which is defined as "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 (IFRS 13)."

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2021 Gross Domestic Product (GDP)

The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

Among the major economic sectors, Industry and Services recorded growths of 7.9% and 8.2%, respectively while Agriculture, forestry, and fishing posted a decrease of -1.7%.

Household Final Consumption Expenditure (HFCE) grew by 7.1% in the said quarter. Growths on Gross Capital Formation (GCF), 22.0%; Government Final Consumption Expenditure (GFCE), 13.6%; Exports, 9.0%; and Imports, 13.2% were recorded as well.

Net Primary Income (NPI) from the Rest of the World declined by -52.3%. Gross National Income (GNI), on the other hand, posted a growth of 2.8% during the period.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GDP
Agriculture, Hunting, Forestry, and Fishing	404,988	398,213	(6,775.20)	-2.30%	-1.7%	-0.2%
Industry	1,113,357	1,200,900	87,542.95	29.67%	7.9%	2.1%
Services	2,615,533	2,829,856	214,322.87	72.63%	8.2%	5.2%
GROSS DOMESTIC PRODUCT	**4,133,878**	**4,428,969**	**295,090.62**		**7.1%**	

Source: PSA and AACI estimates, November 2021

Industry expanded by 7.9% in the third quarter of 2021 from a decline of -17.6% in the previous year.

Manufacturing, which comprised 60.7% to total Industry, grew by 6.3%. Contributing the most to the growth were the manufacturing of the following: Computer, electronic and optical products, 17.8%; Food products, 5.3%; Other non-metallic mineral products, 21.3%; Basic metals, 11.6%; and Basic pharmaceutical products and pharmaceutical preparations, 23.0%.

Other industries also posted growths during the quarter. Construction increased by 16.8%, Electricity, steam, water and waste management improved by 2.9%, and Mining and quarrying inched up by 0.6%.

Industry shared 27.1 percent to GDP in the third quarter of 2021.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Mining and quarrying	25,253	25,397	144.04	0.16%	0.6%	0.0%
Manufacturing	686,028	729,091	43,063.19	49.19%	6.3%	3.9%
Electricity, steam, water and waste management	167,303	172,171	4,868.59	5.56%	2.9%	0.4%
Construction	234,773	274,240	39,467.12	45.08%	16.8%	3.5%
INDUSTRY SECTOR	**1,113,357**	**1,200,900**	**87,542.95**		**7.9%**	

Source: PSA and AACI estimates, November 2021

Services industry sustained its momentum as all the sub-industries expanded in the third quarter of 2021, growing at 8.2% compared to the same period in 2020.

Wholesale and retail trade; repair of motor vehicles and motorcycles continued to contribute the most as it grew by 6.4% during the period. This was primarily driven by the growth in Retail trade at 7.6%. Other top contributors in Services were Professional and business services and the Financial and insurance activities, which increased by 11.5% and 6.4%, respectively.

Meanwhile, the following sub-industries had recovered from previous year's losses: Education, which grew by 13.8%; Transportation and storage, 14.8%; Human health and social work activities, 17.7%; Real estate and ownership of dwellings, 4.7%; Other services, 20.3%; and Accommodation and food service activities, 11.5%.

Public administration and defense; compulsory social activities continued to expand and contributed positively with 5.2% growth during the period.

Services shared 63.9% of the 2021 third quarter GDP, maintaining its post as the top contributor to GDP among the three major economic sectors.

Please see Table 3.

Table 3. Gross Value Added in Services
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Wholesale and retail trade; repair of motor vehicles and motorcycles	876,132	931,832	55,700.27	25.99%	6.4%	2.1%
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SERVICES SECTOR	**2,615,533**	**2,829,856**	**214,322.87**		**8.2%**	

Source: PSA and AACI estimates, November 2021

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;

b. For the term of lease, we have used documents provided by the COMPANY; and

c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 eBloc Tower 1

A 12-storey mid-rise office building, the eBloc Tower was completed in 2009 and is now host to two of the biggest global BPO or IT companies. The building is located along Jose Ma. Del Mar Avenue of Cebu I.T. Park, Barangay Apas, Cebu City. The eBloc Tower sits on a 4,432-square meter lot.

(Source: Cebu Holdings Website)



Figure 1: The eBloc Tower 1
Source: Cebu Holdings Website

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^{t}}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\ /\ (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		**Delevered**	**Relevered**
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
Cost of equity	11.4029%	0.08	0.094

Computation of Weighted Average Cost of Capital			
	Cost	**%**	**Weight**
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
	Weighted average cost of capital		**8.38%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FVt / (1 + i)t] - I_0$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 The total gross leasable area is approximately 20,842 sqm;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;

7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;

7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

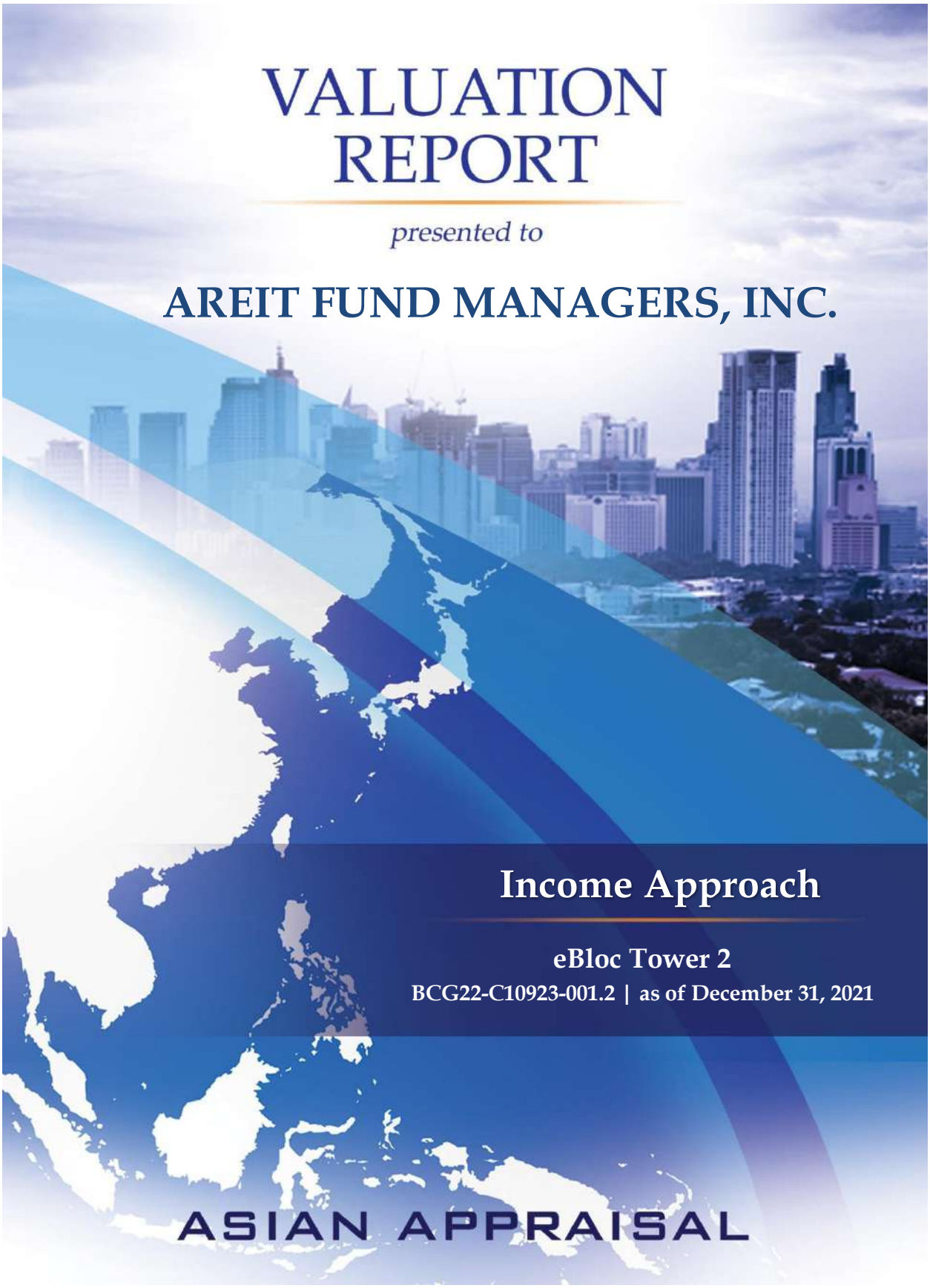
Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
TWO BILLION
ONE HUNDRED SIX MILLION
FIVE HUNDRED FORTY THOUSAND ONLY
(In Words)

PHP2,106,540,000.00
(In Figures)

9 Valuation Date

This valuation is as of 31 December 2021.



VALUATION REPORT

presented to

AREIT FUND MANAGERS, INC.

Income Approach

eBloc Tower 2

BCG22-C10923-001.2 | as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

09 March 2022

AREIT FUND MANAGERS, INC.
30th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

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

Re: **AACI File No. BCG22-C10923-001.2**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of ***The eBloc Tower 2*** (the "PROPERTY") located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Purpose of the valuation:	For financial reporting purposes only.
Subject of the valuation:	The subject of the valuation is ***The eBloc Tower 2,*** located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.
Basis of value:	The valuation was made based on ***fair value***. **Fair value** is defined as "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 (IFRS 13)." Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)
Valuation date:	The valuation date is as of 31 December 2021**.**

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
TWO BILLION
SIX HUNDRED FORTY-FIVE MILLION
SIX HUNDRED NINETY THOUSAND ONLY
(In Words)

PHP2,645,690,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges, or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party because of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk, and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

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a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website.

b. For the term of lease, we have used documents provided by the COMPANY; and

c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 eBloc Tower 2

eBloc Tower 2 is a 16-level office building with a total gross floor area of 34,762 square meters located in Phase 2 of Cebu I.T. Park. Launched in June 2010.

(Source: Cebu Holdings Website)



Figure 1: The eBloc Tower 2
Source: Cebu Holdings Website

7 Valuation Approaches and Methodology

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Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^{t}}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\ /\ (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		**Delevered**	**Relevered**
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
Cost of equity	11.4029%	0.08	0.094

Computation of Weighted Average Cost of Capital

	Cost	**%**	**Weight**
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
	Weighted average cost of capital		**8.38%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$\mathbf{NPV = [\sum FVt / (1 + i)t] - I_0}$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 The total gross leasable area is approximately 27,727 sqm;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;

7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;

7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

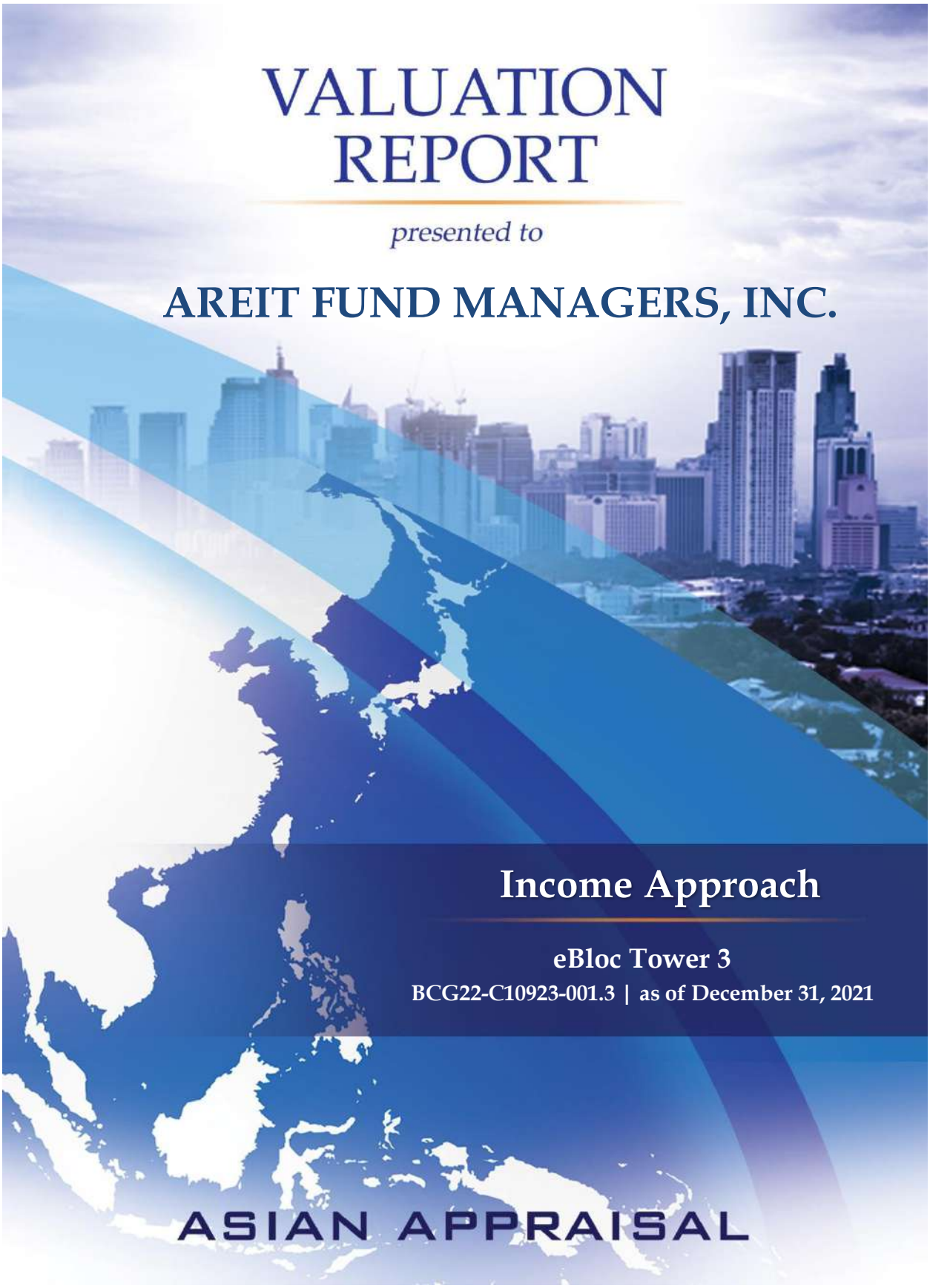
Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
TWO BILLION
SIX HUNDRED FORTY-FIVE MILLION
SIX HUNDRED NINETY THOUSAND ONLY
(In Words)

PHP2,645,690,000.00
(In Figures)

9 Valuation Date

This valuation is as of 31 December 2021.



VALUATION REPORT

presented to

AREIT FUND MANAGERS, INC.

Income Approach

eBloc Tower 3

BCG22-C10923-001.3 | as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

09 March 2022

AREIT FUND MANAGERS, INC.
30th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

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

Re: **AACI File No. BCG22-C10923-001.3**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of ***The eBloc Tower 3*** (the "PROPERTY") located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Purpose of the valuation:	For financial reporting purposes only.
Subject of the valuation:	The subject of the valuation is ***The eBloc Tower 3,*** located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.
Basis of value:	The valuation was made on the basis of ***fair value***. **Fair value** is defined as "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 (IFRS 13)." Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)
Valuation date:	The valuation date is as of 31 December 2021**.**

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
ONE BILLION
THREE HUNDRED SEVENTY-SIX MILLION
THREE HUNDRED THOUSAND ONLY
(In Words)

PHP1,376,300,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.

k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.

n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.

o) Erasures on appraisal date and values invalidate this valuation report.

p) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 AREIT FUND MANAGERS, INC.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for financial reporting purposes only.

3 Basis of Value

The basis of value shall be **fair value** which is defined as "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 (IFRS 13)."

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2021 Gross Domestic Product (GDP)

The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

Among the major economic sectors, Industry and Services recorded growths of 7.9% and 8.2%, respectively while Agriculture, forestry, and fishing posted a decrease of -1.7%.

Household Final Consumption Expenditure (HFCE) grew by 7.1% in the said quarter. Growths on Gross Capital Formation (GCF), 22.0%; Government Final Consumption Expenditure (GFCE), 13.6%; Exports, 9.0%; and Imports, 13.2% were recorded as well.

Net Primary Income (NPI) from the Rest of the World declined by -52.3%. Gross National Income (GNI), on the other hand, posted a growth of 2.8% during the period.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GDP
Agriculture, Hunting, Forestry, and Fishing	404,988	398,213	(6,775.20)	-2.30%	-1.7%	-0.2%
Industry	1,113,357	1,200,900	87,542.95	29.67%	7.9%	2.1%
Services	2,615,533	2,829,856	214,322.87	72.63%	8.2%	5.2%
GROSS DOMESTIC PRODUCT	**4,133,878**	**4,428,969**	**295,090.62**		**7.1%**	

Source: PSA and AACI estimates, November 2021

Industry expanded by 7.9% in the third quarter of 2021 from a decline of -17.6% in the previous year.

Manufacturing, which comprised 60.7% to total Industry, grew by 6.3%. Contributing the most to the growth were the manufacturing of the following: Computer, electronic and optical products, 17.8%; Food products, 5.3%; Other non-metallic mineral products, 21.3%; Basic metals, 11.6%; and Basic pharmaceutical products and pharmaceutical preparations, 23.0%.

Other industries also posted growths during the quarter. Construction increased by 16.8%, Electricity, steam, water and waste management improved by 2.9%, and Mining and quarrying inched up by 0.6%.

Industry shared 27.1 percent to GDP in the third quarter of 2021.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Mining and quarrying	25,253	25,397	144.04	0.16%	0.6%	0.0%
Manufacturing	686,028	729,091	43,063.19	49.19%	6.3%	3.9%
Electricity, steam, water and waste management	167,303	172,171	4,868.59	5.56%	2.9%	0.4%
Construction	234,773	274,240	39,467.12	45.08%	16.8%	3.5%
INDUSTRY SECTOR	**1,113,357**	**1,200,900**	**87,542.95**		**7.9%**	

Source: PSA and AACI estimates, November 2021

Services industry sustained its momentum as all the sub-industries expanded in the third quarter of 2021, growing at 8.2% compared to the same period in 2020.

Wholesale and retail trade; repair of motor vehicles and motorcycles continued to contribute the most as it grew by 6.4% during the period. This was primarily driven by the growth in Retail trade at 7.6%. Other top contributors in Services were Professional and business services and the Financial and insurance activities, which increased by 11.5% and 6.4%, respectively.

Meanwhile, the following sub-industries had recovered from previous year's losses: Education, which grew by 13.8%; Transportation and storage, 14.8%; Human health and social work activities, 17.7%; Real estate and ownership of dwellings, 4.7%; Other services, 20.3%; and Accommodation and food service activities, 11.5%.

Public administration and defense; compulsory social activities continued to expand and contributed positively with 5.2% growth during the period.

Services shared 63.9% of the 2021 third quarter GDP, maintaining its post as the top contributor to GDP among the three major economic sectors.

Please see Table 3.

Table 3. Gross Value Added in Services
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Wholesale and retail trade; repair of motor vehicles and motorcycles	876,132	931,832	55,700.27	25.99%	6.4%	2.1%
Transportation and storage	118,961	136,562	17,600.25	8.21%	14.8%	0.7%
Accommodation and food service activities	48,427	53,991	5,563.88	2.60%	11.5%	0.2%
Information and communication	124,439	135,026	10,587.56	4.94%	8.5%	0.4%
Financial and insurance activities	428,205	455,503	27,297.26	12.74%	6.4%	1.0%
Real estate and ownership of dwellings	266,445	278,860	12,414.50	5.79%	4.7%	0.5%
Professional and business services	268,147	298,932	30,784.78	14.36%	11.5%	1.2%
Public administration and defense; compulsory social activities	213,079	224,113	11,034.45	5.15%	5.2%	0.4%
Education	152,381	173,397	21,015.77	9.81%	13.8%	0.8%
Human health and social work activities	74,399	87,600	13,201.38	6.16%	17.7%	0.5%
Other services	44,918	54,041	9,122.78	4.26%	20.3%	0.3%
SERVICES SECTOR	**2,615,533**	**2,829,856**	**214,322.87**		**8.2%**	

Source: PSA and AACI estimates, November 2021

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;

b. For the term of lease, we have used documents provided by the COMPANY; and

c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 eBloc Tower 3

The third of the series of eBloc Towers broke ground in early 2012 and was completed last August 2014. Like its predecessors, eBloc Tower 3 is a state-of-the-art, 12-floor office building which will bring in more than 15,700 square meters of leasable space. Retail spaces will also be available at the ground floor to cater to the needs of the BPO community.

(Source: Cebu Holdings Website)



Figure 1: The eBloc Tower 3
Source: Cebu Holdings Website

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^{t}}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\ /\ (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		**Delevered**	**Relevered**
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
Cost of equity	11.4029%	0.08	0.094
Computation of Weighted Average Cost of Capital			
	Cost	**%**	**Weight**
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
	Weighted average cost of capital		**8.38%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$\mathbf{NPV = [\sum FVt / (1 + i)t] - I_0}$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 The total gross leasable area is approximately 15,233 sqm;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;

7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;

7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

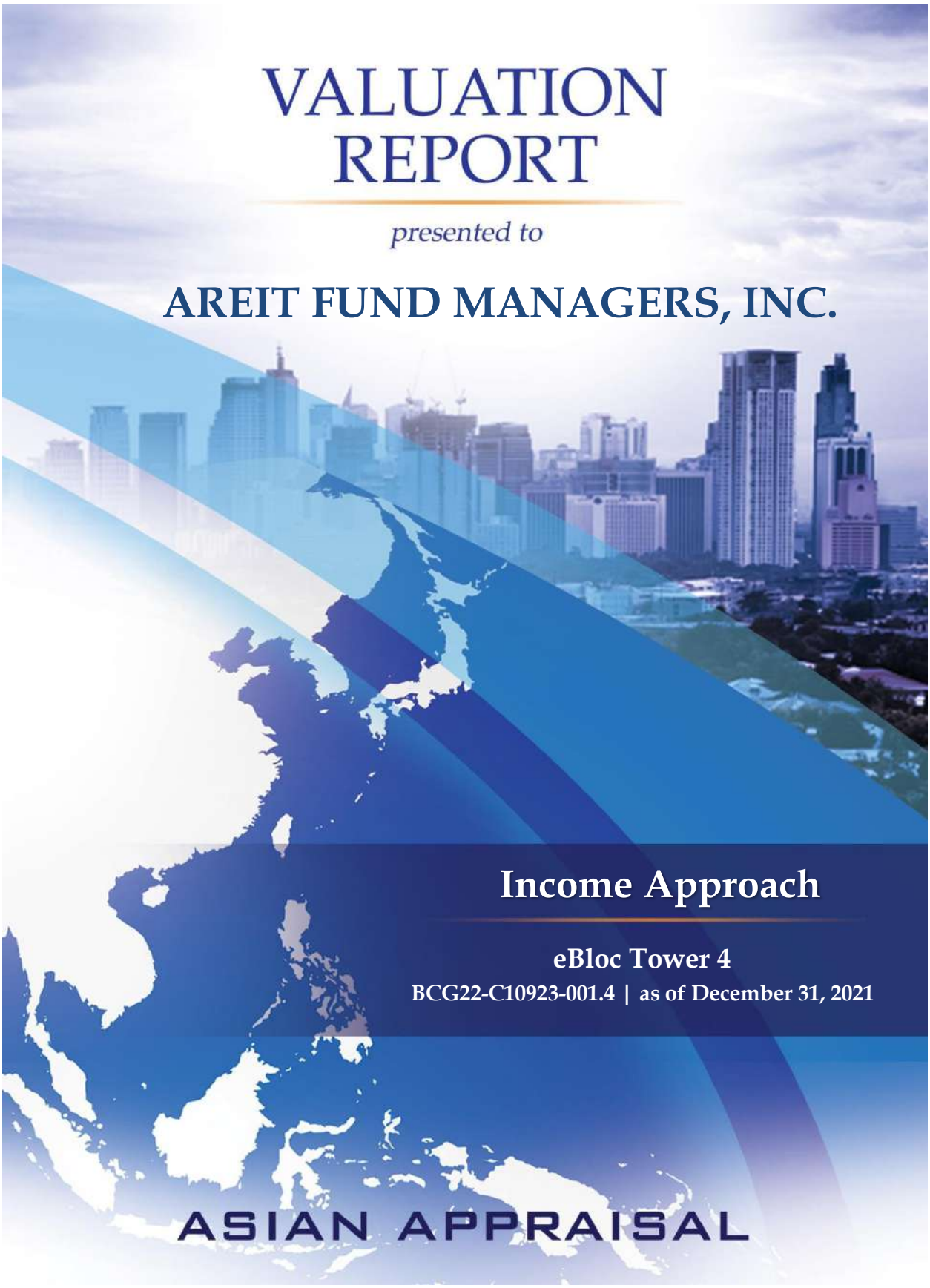
Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
ONE BILLION
THREE HUNDRED SEVENTY-SIX MILLION
THREE HUNDRED THOUSAND ONLY
(In Words)

PHP1,376,300,000.00
(In Figures)

9 Valuation Date

This valuation is as of 31 December 2021.



VALUATION REPORT

presented to

AREIT FUND MANAGERS, INC.

Income Approach

eBloc Tower 4

BCG22-C10923-001.4 | as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

09 March 2022

AREIT FUND MANAGERS, INC.
30th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

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

Re: **AACI File No. BCG22-C10923-001.4**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of ***The eBloc Tower 4*** (the "PROPERTY") located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.

Purpose of the valuation:	For financial reporting purposes only.
Subject of the valuation:	The subject of the valuation is ***The eBloc Tower 4,*** located along Jose Ma. Del Mar Avenue, Cebu I.T. Park, Barangay Apas, Cebu City.
Basis of value:	The valuation was made on the basis of ***fair value***. **Fair value** is defined as "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 (IFRS 13)." Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)
Valuation date:	The valuation date is as of 31 December 2021**.**

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
ONE BILLION
SEVEN HUNDRED FORTY-THREE MILLION
FORTY THOUSAND ONLY
(In Words)

PHP1,743,040,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

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k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

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1 Identification of the Client

1.1 AREIT FUND MANAGERS, INC.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for financial reporting purposes only.

3 Basis of Value

The basis of value shall be **fair value** which is defined as "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 (IFRS 13)."

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2021 Gross Domestic Product (GDP)

The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

Among the major economic sectors, Industry and Services recorded growths of 7.9% and 8.2%, respectively while Agriculture, forestry, and fishing posted a decrease of -1.7%.

Household Final Consumption Expenditure (HFCE) grew by 7.1% in the said quarter. Growths on Gross Capital Formation (GCF), 22.0%; Government Final Consumption Expenditure (GFCE), 13.6%; Exports, 9.0%; and Imports, 13.2% were recorded as well.

Net Primary Income (NPI) from the Rest of the World declined by -52.3%. Gross National Income (GNI), on the other hand, posted a growth of 2.8% during the period.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GDP
Agriculture, Hunting, Forestry, and Fishing	404,988	398,213	(6,775.20)	-2.30%	-1.7%	-0.2%
Industry	1,113,357	1,200,900	87,542.95	29.67%	7.9%	2.1%
Services	2,615,533	2,829,856	214,322.87	72.63%	8.2%	5.2%
GROSS DOMESTIC PRODUCT	**4,133,878**	**4,428,969**	**295,090.62**		**7.1%**	

Source: PSA and AACI estimates, November 2021

Industry expanded by 7.9% in the third quarter of 2021 from a decline of -17.6% in the previous year.

Manufacturing, which comprised 60.7% to total Industry, grew by 6.3%. Contributing the most to the growth were the manufacturing of the following: Computer, electronic and optical products, 17.8%; Food products, 5.3%; Other non-metallic mineral products, 21.3%; Basic metals, 11.6%; and Basic pharmaceutical products and pharmaceutical preparations, 23.0%.

Other industries also posted growths during the quarter. Construction increased by 16.8%, Electricity, steam, water and waste management improved by 2.9%, and Mining and quarrying inched up by 0.6%.

Industry shared 27.1 percent to GDP in the third quarter of 2021.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Mining and quarrying	25,253	25,397	144.04	0.16%	0.6%	0.0%
Manufacturing	686,028	729,091	43,063.19	49.19%	6.3%	3.9%
Electricity, steam, water and waste management	167,303	172,171	4,868.59	5.56%	2.9%	0.4%
Construction	234,773	274,240	39,467.12	45.08%	16.8%	3.5%
INDUSTRY SECTOR	**1,113,357**	**1,200,900**	**87,542.95**		**7.9%**	

Source: PSA and AACI estimates, November 2021

Services industry sustained its momentum as all the sub-industries expanded in the third quarter of 2021, growing at 8.2% compared to the same period in 2020.

Wholesale and retail trade; repair of motor vehicles and motorcycles continued to contribute the most as it grew by 6.4% during the period. This was primarily driven by the growth in Retail trade at 7.6%. Other top contributors in Services were Professional and business services and the Financial and insurance activities, which increased by 11.5% and 6.4%, respectively.

Meanwhile, the following sub-industries had recovered from previous year's losses: Education, which grew by 13.8%; Transportation and storage, 14.8%; Human health and social work activities, 17.7%; Real estate and ownership of dwellings, 4.7%; Other services, 20.3%; and Accommodation and food service activities, 11.5%.

Public administration and defense; compulsory social activities continued to expand and contributed positively with 5.2% growth during the period.

Services shared 63.9% of the 2021 third quarter GDP, maintaining its post as the top contributor to GDP among the three major economic sectors.

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Table 3. Gross Value Added in Services
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At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Wholesale and retail trade; repair of motor vehicles and motorcycles	876,132	931,832	55,700.27	25.99%	6.4%	2.1%
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Public administration and defense; compulsory social activities	213,079	224,113	11,034.45	5.15%	5.2%	0.4%
Education	152,381	173,397	21,015.77	9.81%	13.8%	0.8%
Human health and social work activities	74,399	87,600	13,201.38	6.16%	17.7%	0.5%
Other services	44,918	54,041	9,122.78	4.26%	20.3%	0.3%
SERVICES SECTOR	**2,615,533**	**2,829,856**	**214,322.87**		**8.2%**	

Source: PSA and AACI estimates, November 2021

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;

b. For the term of lease, we have used documents provided by the COMPANY; and

c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 eBloc Tower 4

Coming from the highly successful eBloc Tower series, eBloc Tower 4 is an innovative addition to the growing IT/BPO industry in Cebu. It broke ground last October 2013 and finished by 1st Quarter of 2016. The eBloc Tower 4 houses a large retail provision and easily accessed landscaped storefronts at the ground level to cater to the needs of the BPO workers 24/7.

(Source: Cebu Holdings Website)



Figure 1: The eBloc Tower 4
Source: Cebu Holdings Website

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^{t}}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\ /\ (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		**Delevered**	**Relevered**
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
Cost of equity	11.4029%	0.08	0.094
Computation of Weighted Average Cost of Capital			
	Cost	**%**	**Weight**
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
	Weighted average cost of capital		**8.38%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$\mathbf{NPV = [\sum FVt / (1 + i)t] - I_0}$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 The total gross leasable area is approximately 16,167 sqm;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;

7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;

7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
ONE BILLION
SEVEN HUNDRED FORTY-THREE MILLION
FORTY THOUSAND ONLY
(In Words)

PHP1,743,040,000.00
(In Figures)

9 Valuation Date

This valuation is as of 31 December 2021.

VALUATION REPORT

presented to

AREIT FUND MANAGERS, INC.



Income Approach

Ayala Center Cebu Tower

BCG22-C10923-001.5 | as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

09 March 2022

AREIT FUND MANAGERS, INC.
30th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

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

Re: **AACI File No. BCG22-C10923-001.5**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of ***The Ayala Center Cebu Tower*** (the "PROPERTY") located along Bohol Avenue, Cebu Business Park, Barangay Mabolo, Cebu City.

Purpose of the valuation:	For financial reporting purposes only.
Subject of the valuation:	The subject of the valuation is ***The Ayala Center Cebu Tower,*** located along Bohol Avenue, Cebu Business Park, Barangay Mabolo, Cebu City.
Basis of value:	The valuation was made based on ***fair value***. **Fair value** is defined as "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 (IFRS 13)." Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)
Valuation date:	The valuation date is as of 31 December 2021**.**

Opinion of value:

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
TWO BILLION
ONE HUNDRED EIGHTY-FIVE MILLION
FOUR HUNDRED TWENTY THOUSAND ONLY
(In Words)

PHP2,185,420,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

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Human health and social work activities	74,399	87,600	13,201.38	6.16%	17.7%	0.5%
Other services	44,918	54,041	9,122.78	4.26%	20.3%	0.3%
SERVICES SECTOR	**2,615,533**	**2,829,856**	**214,322.87**		**8.2%**	

Source: PSA and AACI estimates, November 2021

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website.

b. For the term of lease, we have used documents provided by the COMPANY; and

c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Ayala Center Cebu Tower

Ayala Center Cebu Tower is a 20 storey office tower situated within Cebu Business Park, a 50 hectare mixed-used development with residential, business and commercial spaces.

The PROPERTY is strategically located at the west side of Ayala Center Cebu as it is designed as an integrated part of the mall connecting retail and the parking podium with direct access to and from the Public Utility Jeepney (PUJ) Terminal through a covered walkway at the 2nd level of the office building.

(Source: Cebu Holdings Website)



Figure 1: The Ayala Center Cebu Tower
Source: Cebu Holdings Website

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

7.3 Cost Approach

The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

7.4 Income Approach

The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^{t}}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\ /\ (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		**Delevered**	**Relevered**
Risk free rate (25Y)	5.0840%		
Market rate of return	11.064000%		
Phil RE sector beta	1.0567	0.5513	0.7285
Cost of equity	11.4029%	0.08	0.094
Computation of Weighted Average Cost of Capital			
	Cost	**%**	**Weight**
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
	Weighted average cost of capital		**8.38%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FVt / (1 + i)t] - I_0$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 The total gross leasable area is approximately 27,517 sqm;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;

7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;

7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
TWO BILLION
ONE HUNDRED EIGHTY-FIVE MILLION
FOUR HUNDRED TWENTY THOUSAND ONLY
(In Words)

PHP2,185,420,000.00
(In Figures)

9 Valuation Date

This valuation is as of 31 December 2021.

VALUATION REPORT

presented to

AREIT FUND MANAGERS, INC.



Income Approach

Tech Tower

BCG22-C10923-001.6 | as of December 31, 2021

ASIAN APPRAISAL

PRIVATE AND CONFIDENTIAL

09 March 2022

AREIT FUND MANAGERS, INC.
30th Floor, Tower One, Ayala Triangle, Ayala Avenue
Makati City, Metro Manila 1226
(The "CLIENT/COMPANY")

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

Re: **AACI File No. BCG22-C10923-001.6**
Appraisal of Property

Gentlemen:

We are pleased to submit our *final report* on the valuation as of 31 December 2021, of ***The Tech Tower*** (the "PROPERTY") located along Sumilon Road, Cebu Business Park, Cebu City.

Purpose of the valuation:	For financial reporting purposes only.
Subject of the valuation:	The subject of the valuation is ***The Tech Tower,*** located along Sumilon Road, Cebu Business Park, Cebu City.
Basis of value:	The valuation was made on the basis of ***fair value***. **Fair value** is defined as "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 (IFRS 13)." Meanwhile, a **basis of value** is defined as "a statement of the fundamental measurement assumptions of a valuation." (IVSC 2017)
Valuation date:	The valuation date is as of 31 December 2021**.**

Opinion of value: Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
ONE BILLION
TWO HUNDRED FOUR MILLION
ONE HUNDRED TWENTY THOUSAND ONLY
(In Words)

PHP1,204,120,000.00
(In Figures)

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

WE HEREBY CERTIFY that we have neither present nor prospective interest on the property appraised or on the value reported.

Yours faithfully,

ASIAN APPRAISAL COMPANY, INC.

ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

GENERAL SERVICE CONDITIONS

The services provided by **Asian Appraisal Company, Inc. (AACI),** were performed in accordance with recognized professional appraisal standards, which is the International Valuation Standards (IVS). We have acted as an independent contractor. Our compensation was not contingent in any way upon our conclusion of value. We assumed, without independent verification, the accuracy of all data provided to us. Although it is not our normal practice, we reserve the right to use subcontractors. All files, work papers or documents furnished, obtained, or developed during the course of the assignment shall remain our property. We will retain this data for at least five (5) years.

Our appraisal is valid only for the purpose for which it is stated herein. Any other use or reliance by you or third parties is invalid. You may show our report in part or in its entirety to interested parties outside your organization; however, you agree not to reference our name or our report, in whole or in part, in any document distributed to third parties without our prior written consent. We will, subject to legal orders, maintain the confidentiality of all conversations, documents provided to us, and our report. These conditions can only be modified in writing by both parties.

CERTIFICATE OF APPRAISER

It is hereby certified that, to the best of our knowledge and belief, the statements of fact, upon which the analyses, opinions, and conclusions expressed in this report are based, are true and correct; that this report sets forth the limiting conditions affecting the analyses, opinions and conclusions it contains; that this report has been made in accordance with generally accepted valuation principles and procedures and in conformity with the requirements of the Code of Ethics applying to the realty services in the Philippines; and that we have no present nor contemplated future interest in the property, nor is the appraisal fee contingent upon the final estimate of value. It is further certified that the valuation of the property as of 31 December 2021, was done under the direct supervision of the undersigned.



ENGR. JOHN C. PAR
First Vice President
Certified Review Appraiser
Licensed Real Estate Appraiser
PRC REA No. 0002803
PTR No. 8557165

ASSUMPTIONS AND LIMITING CONDITIONS

a) This Report has been produced without reference to, and in disregard of, any liens, liabilities, charges or encumbrances relating to or affecting the subject matter of the same, whether known or unknown. Any person relying upon this Report shall be deemed to be aware of all such liens, liabilities charges and/or encumbrances and shall be responsible for making his own assumptions as to the cost or valuation implication of the same and no responsibility in respect thereof will be accepted by us or by any of our employees.

b) AACI or any of its employees shall not be required to give evidence or otherwise testify in any court or tribunal or otherwise in relation to this Report or anything therein contained save on such terms as we may reasonably specify or unless arrangements have been previously made.

c) No instrument survey was made to pinpoint the exact location and boundaries of the property. It is then assumed that the property as indicated on plans or as shown by the owner (s)/representative(s) is the property described in the title furnished us.

d) No structural survey or engineering tests were made, and no responsibility is assumed for the soundness of the structure, physical defects which were not readily apparent to the appraiser(s) during inspection or the condition of the services.

e) Plats and other illustrative data used in the report are presented as aids in visualizing the property and its environs. Although preparation of materials was based on the best available data, it should not be considered as a survey nor scaled for size. No independent surveys were conducted.

f) No soil analysis or geological studies were made in conjunction with this Report nor was an investigation made of any water, oil, gas, coal, or other sub-surface mineral and use rights or conditions.

g) This Report is confidential and is intended for the sole use of the CLIENT/COMPANY to whom it is addressed and is intended for the specific purpose to which it refers only. No responsibility will be accepted for any loss, direct or indirect, caused to any third party as a consequence of its use, or reliance upon, this Report or anything contained herein other than that for which it has been produced. This report may not be reproduced in whole or in part nor shall it be disclosed to any third party without our express consent in writing.

h) We have assumed in our valuation that the Property as currently used is not in contravention of any planning or similar governmental regulations.

i) It is assumed that all building, sidewalk and occupancy permits, consents, or other licenses and certificates from governmental institutions have been or can be obtained or renewed for any use on which the value estimate contained in this Report is based.

j) We give no guarantee or warranty in respect of the accuracy where such information has been provided by or is based on information, estimates or data provided, directly or indirectly, by third parties. Subject to this qualification, all information contained in this Report is believed to be correct at the time at which it was published.

k) In providing this Report, no warranties are given as to the ownership of the subject matter of the same. The CLIENT/COMPANY shall be deemed to have made all appropriate and proper investigations as to the title and shall be deemed to have satisfied itself to the same.

l) We did not observe the existence of hazardous materials, unless otherwise stated in this Report, which may or may not be present on the property. The presence of hazardous materials, which we are not qualified to detect, may affect the value of the property. The value estimate is asserted on the assumption that there is no such material on, or in, the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them.

m) Any requirements or preconditions imposed by the CLIENT/COMPANY in connection with the preparation of this Report have been duly taken into account but no liability is accepted in respect of a CLIENT/COMPANY withholding approval and finalization of the Report.

n) The values reported herein are based upon the premise and for the purpose(s) for which they are stated herein.

o) Erasures on appraisal date and values invalidate this valuation report.

p) This appraisal report is invalid unless it bears the service seal of AACI.

1 Identification of the Client

1.1 AREIT FUND MANAGERS, INC.

The CLIENT is a corporation organized and existing under the laws of the Philippines.

2 Purpose of the Valuation

This valuation shall be used for financial reporting purposes only.

3 Basis of Value

The basis of value shall be **fair value** which is defined as "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 (IFRS 13)."

4 Macroeconomic Overview: Philippine Economy

4.1 Q3 2021 Gross Domestic Product (GDP)

The country's Gross Domestic Product (GDP) marked a growth rate of 7.1% in the third quarter of 2021 with the main contributors and their corresponding increases, as follow:

Wholesale and retail trade; repair of motor vehicles and motorcycles, 6.4%; Manufacturing, 6.3%; and Construction, 16.8%.

Among the major economic sectors, Industry and Services recorded growths of 7.9% and 8.2%, respectively while Agriculture, forestry, and fishing posted a decrease of -1.7%.

Household Final Consumption Expenditure (HFCE) grew by 7.1% in the said quarter. Growths on Gross Capital Formation (GCF), 22.0%; Government Final Consumption Expenditure (GFCE), 13.6%; Exports, 9.0%; and Imports, 13.2% were recorded as well.

Net Primary Income (NPl) from the Rest of the World declined by -52.3%. Gross National lncome (GNl), on the other hand, posted a growth of 2.8% during the period.

Please see Table 1.

Table 1. Gross Domestic Product by Industry
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GDP
Agriculture, Hunting, Forestry, and Fishing	404,988	398,213	(6,775.20)	-2.30%	-1.7%	-0.2%
Industry	1,113,357	1,200,900	87,542.95	29.67%	7.9%	2.1%
Services	2,615,533	2,829,856	214,322.87	72.63%	8.2%	5.2%
GROSS DOMESTIC PRODUCT	**4,133,878**	**4,428,969**	**295,090.62**		**7.1%**	

Source: PSA and AACI estimates, November 2021

Industry expanded by 7.9% in the third quarter of 2021 from a decline of -17.6% in the previous year.

Manufacturing, which comprised 60.7% to total Industry, grew by 6.3%. Contributing the most to the growth were the manufacturing of the following: Computer, electronic and optical products, 17.8%; Food products, 5.3%; Other non-metallic mineral products, 21.3%; Basic metals, 11.6%; and Basic pharmaceutical products and pharmaceutical preparations, 23.0%.

Other industries also posted growths during the quarter. Construction increased by 16.8%, Electricity, steam, water and waste management improved by 2.9%, and Mining and quarrying inched up by 0.6%.

Industry shared 27.1 percent to GDP in the third quarter of 2021.

Please see Table 2.

Table 2. Gross Value Added in Industry
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Mining and quarrying	25,253	25,397	144.04	0.16%	0.6%	0.0%
Manufacturing	686,028	729,091	43,063.19	49.19%	6.3%	3.9%
Electricity, steam, water and waste management	167,303	172,171	4,868.59	5.56%	2.9%	0.4%
Construction	234,773	274,240	39,467.12	45.08%	16.8%	3.5%
INDUSTRY SECTOR	**1,113,357**	**1,200,900**	**87,542.95**		**7.9%**	

Source: PSA and AACI estimates, November 2021

Services industry sustained its momentum as all the sub-industries expanded in the third quarter of 2021, growing at 8.2% compared to the same period in 2020.

Wholesale and retail trade; repair of motor vehicles and motorcycles continued to contribute the most as it grew by 6.4% during the period. This was primarily driven by the growth in Retail trade at 7.6%. Other top contributors in Services were Professional and business services and the Financial and insurance activities, which increased by 11.5% and 6.4%, respectively.

Meanwhile, the following sub-industries had recovered from previous year's losses: Education, which grew by 13.8%; Transportation and storage, 14.8%; Human health and social work activities, 17.7%; Real estate and ownership of dwellings, 4.7%; Other services, 20.3%; and Accommodation and food service activities, 11.5%.

Public administration and defense; compulsory social activities continued to expand and contributed positively with 5.2% growth during the period.

Services shared 63.9% of the 2021 third quarter GDP, maintaining its post as the top contributor to GDP among the three major economic sectors.

Please see Table 3.

Table 3. Gross Value Added in Services
Q3 2020 and Q3 2021
At Constant 2018 Prices, in million pesos

INDUSTRY/INDUSTRY GROUP	Q3 2020	Q3 2021	+/-	%	Growth Rate	% to GVA
Wholesale and retail trade; repair of motor vehicles and motorcycles	876,132	931,832	55,700.27	25.99%	6.4%	2.1%
Transportation and storage	118,961	136,562	17,600.25	8.21%	14.8%	0.7%
Accommodation and food service activities	48,427	53,991	5,563.88	2.60%	11.5%	0.2%
Information and communication	124,439	135,026	10,587.56	4.94%	8.5%	0.4%
Financial and insurance activities	428,205	455,503	27,297.26	12.74%	6.4%	1.0%
Real estate and ownership of dwellings	266,445	278,860	12,414.50	5.79%	4.7%	0.5%
Professional and business services	268,147	298,932	30,784.78	14.36%	11.5%	1.2%
Public administration and defense; compulsory social activities	213,079	224,113	11,034.45	5.15%	5.2%	0.4%
Education	152,381	173,397	21,015.77	9.81%	13.8%	0.8%
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Source: PSA and AACI estimates, November 2021

5 Extent of investigation and nature and source of the information relied upon

a. For the COMPANY, we have relied on documents available from online resources and the Securities and Exchange Commission (SEC) website;

b. For the term of lease, we have used documents provided by the COMPANY; and

c. For the macroeconomic and industry data, we have gathered information from the websites of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Philippine Statistics Authority (PSA).

6 Particulars of the Property

6.1 Tech Tower

Tech Tower, a 12-storey mid-rise BPO building, is an innovative work environment designed to promote distinct workspaces which encourage creativity and interaction. It is envisioned to attract progressive BPO, IT, and ITES business locators.

(Source: Cebu Holdings Website)



Figure 1: The Tech Tower
Source: Cebu Holdings Website

7 Valuation Approaches and Methodology

7.1 Three Approaches to Value

Based on IVS, there are three (3) approaches to value, namely:

7.2 Market Approach

The **market approach** "provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available."

In this approach, the value of the building is based on sales and listings of comparable properties registered within the vicinity. The technique of this approach requires the adjustments of a comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison is premised on the factors of construction materials used, quality of workmanship, age of building, floor area, maintenance, amenities and facilities and complexity of the structure among others.

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The **cost approach** "provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors involved." The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

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The **income approach** "provides an indication of value by converting future cash flow to a single current value." Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

Considering that the PROPERTY is an investment property that generates income for Ayala Land, Inc., we have used the income approach to value, specifically, the discounted cash flow method.

7.5 Valuation Analysis

The **Income Approach** explicitly recognizes that the value of an asset or property is dependent on the expected future economic benefits to be derived from ownership of that asset or property such as periodic income, cost savings, increased market share, or proceeds from sale. These benefits are converted into a lump sum value.

In the Discounted Cash Flow Analysis, future benefits for a given projection period are converted into a value indication by discounting them at an appropriate yield rate.

7.6 Future and Present Value

The Future Value of an amount or investment is the value obtained after it is compounded by an interest rate over a specific number of time periods (usually in number of years). The formula is expressed as:

$$\mathbf{FV = PV\ (1 + \mathit{i}\ )^{t}}$$

such that:

FV = the future value of the investment PV after t years
PV = the principal amount of an investment or its present value
i = the applicable compound interest or discount rate
t = the relevant time period usually in number of years

From this same equation, the formula for the Present Value can be derived. The Present Value of an investment is simply its expected worth at a particular time in the future brought back to present terms, or:

$$\mathbf{PV = FV\ /\ (1 + \mathit{i})t}$$

The expression states that an expected future amount, FV pesos, at year t is worth PV pesos in present terms in view of an i% compounded discount rate. The FV refers to the future worth of benefits such as cash on hand, profits, revenues, market recognition, or excess income expected to be gained.

7.7 Discount Rate

The discount rate was set at 8.38% computed using the Weighted Average Cost of Capital based on the average capital structure of companies in the real estate sector prospectively as of the valuation date as follows:

Cost of Equity		**Delevered**	**Relevered**
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Cost of equity	11.4029%	0.08	0.094
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	Cost	**%**	**Weight**
Debt	7.86%	30.00%	1.77%
Equity	9.44%	70.00%	6.61%
	Weighted average cost of capital		**8.38%**

7.8 Net Present Value

Given that annual earnings and benefits are brought back to present worth, the formula for the Net Present Value may now be expressed as:

$$NPV = [\sum FVt / (1 + i)t] - I_0$$

The last equation states that the Net Present Value, ∑PV, is just the sum of the present worth of the expected economic benefits to be received.

7.9 Valuation Assumption

To arrive at the fair value of the PROPERTY, we used the following assumptions.

7.9.1 The total gross leasable area is approximately 16,813 sqm;

7.9.2 The COMPANY's cash inflows consist of monthly rental income from its lessees, exclusive of value added tax (VAT), provided by the CLIENT;

7.9.3 The occupancy rate of the PROPERTY was based on the data provided by the CLIENT;

7.9.4 For the operating expenses, we have used the data provided by the CLIENT.

8 Valuation Conclusion

Based on the given assumptions used, and the Discounted Cash Flow analysis made, it is our opinion that the fair value of ***THE PROPERTY*** as of 31 December 2021 is as follows:

PESOS:
ONE BILLION
TWO HUNDRED FOUR MILLION
ONE HUNDRED TWENTY THOUSAND ONLY
(In Words)

PHP1,204,120,000.00
(In Figures)

9 Valuation Date

This valuation is as of 31 December 2021.