

Property-for-Share Swap between Ayala Land, Inc., Ayalaland Malls, Inc., Northbeacon Commercial Corporation, and AREIT, Inc.

Fairness Opinion Report

STRICTLY PRIVATE & CONFIDENTIAL

6 March 2023

Ayala Land, Inc.

31F, Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

AREIT, Inc.

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

Attention: Board of Directors of Ayala Land, Inc. and AREIT, Inc.

Re: Fairness Opinion Report

Ladies and Gentlemen:

FTI Consulting Philippines, Inc. ("FTI Consulting") is pleased to submit this Fairness Opinion Report ("Report") covering the property-for-share swap transaction in relation to the planned infusion of certain properties (the "Properties") owned by Ayala Land, Inc. ("ALI"), Ayalaland Malls, Inc. ("ALMI"), and Northbeacon Commercial Corporation ("NBCC") into AREIT, Inc. ("AREIT").

ALI, ALMI, and NBCC intend to transfer the Properties to AREIT in exchange for primary shares to be issued by AREIT (the "Transaction"). The Properties consist of four office properties located in Makati City (i.e., Glorietta BPO Tower 1 and Tower 2 owned by ALI; One Ayala – West Tower and East Tower owned by ALMI) and two commercial malls (i.e., Glorietta 1 & 2 Mall in Makati City owned by ALI, and Marquee Mall in Angeles City, Pampanga owned by NBCC). The land where the Properties are located will not be transferred. Further, ALI and NBCC will continue earning lease income from the malls and lease the buildings from AREIT.

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

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

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

The Valuation Date is 31 December 2022, with the Philippine Peso (“PHP”) as the Valuation Currency. Market Value (also referred to as “Fair Value”) is the basis of value used in this engagement. Market Value is defined in the IVS as the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

The Philippine Stock Exchange, Inc.’s (“PSE”) Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104) requires a fairness opinion covering the property-for-share swap transactions. Such fairness opinion must be supported by a valuation report.

FTI Consulting is an independent firm accredited by the PSE (PSE Accreditation CN 2022-0043 released on 7 November 2022) for purposes of issuing fairness opinions and valuation reports of listed companies and prospective initial listing applicants of the Exchange in compliance with the PSE Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104). FTI Consulting is also accredited by the Securities and Exchange Commission (SEC Accreditation No. 032) as a Professional Services Organization (PSO) in accordance with SEC Memorandum No 2 Series of 2014 (Guideline on Asset Valuation).

*Provisions on valuation approaches and methods

Summary of Findings

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

Exhibit 1. Valuation Summary – Properties

Properties	Low Estimate	High Estimate
In PHP millions		
Glorietta BPO Tower 1	2,872.00	3,748.00
Glorietta BPO Tower 2	3,061.00	3,944.00
One Ayala – West Tower	4,542.00	5,645.00
One Ayala – East Tower	5,654.00	7,520.00
Glorietta 1 and 2 Mall	2,853.00	3,739.00
Marquee Mall	1,252.00	2,238.00
TOTAL RANGE OF MARKET VALUES	20,234.00	26,834.00

Sources: FTI Consulting Analysis

Exhibit 2. Valuation Summary – AREIT

Method	Equity Value		Value per Share ¹	
In PHP millions except for the per share values	Low Est.	High Est.	Low Est.	High Est.
Discounted Cash Flows Method	62,461.62	70,952.37	35.47	40.29
<i>Cross-checks:</i>				
Volume Weighted Average Price Method	58,418.61	74,014.27	33.17	42.03
Comparable Public Companies Method				
Enterprise Value-to-NTM EBITDA	52,529.63	57,739.25	29.83	32.79
Enterprise Value-to-NTM EBIT	53,267.54	61,380.36	30.25	34.85
Price-to-NTM EPS	58,057.95	64,368.70	32.97	36.55
RANGE OF MARKET VALUES	62,461.62	70,952.37	35.47	40.29

¹Rounded to two decimal places for presentation purposes

Source: FTI Consulting Analysis

*NTM = next twelve months

Fair Range of AREIT shares to be Exchanged

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

Exhibit 3. Fair Range of AREIT Shares to be Issued

Summary	Range of Market Values	
	Low Estimate	High Estimate
Properties (PHP millions)	20,234	26,834
AREIT, Inc. (PHP/share) ¹	35.47	40.29
Fair Range of AREIT Shares to be Exchanged (in millions)	502.21	756.56

¹Rounded to two decimal places for presentation purposes

Source: FTI Consulting Analysis

Valuation Conclusion and Fairness Opinion

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

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

Total Number of Shares	Fair Range of Shares to be Issued		Proposed Number of Shares to be issued by AREIT
	Low	High	
In Millions			
Total number of shares	502.21	756.56	607.56

Source: FTI Consulting Analysis, AREIT Management

Given that the total number of shares to be issued by AREIT (i.e., 607.56 million AREIT shares) falls within our fair range of shares that AREIT can issue in exchange for the Properties (as seen in Exhibit 4), we are of the opinion that the proposed Transaction is fair from a financial point of view.

Statement of Limitations

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

Statement of Compliance

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

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

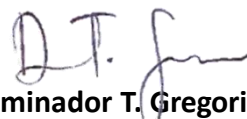
Yours faithfully,

FTI CONSULTING PHILIPPINES, INC.

Unit 1404, The Victor Hotel
7258 J. Victor Street, Makati City
1200 Metro Manila, Philippines
PSE Accreditation CN - No. 2022-0043
Validity Date: 7 November 2022 to 7 November 2023
SEC Accreditation No. 032
Validity Date: 29 October 2020 to 28 October 2025

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

John B. Balce
Senior Managing Director
Unit 1404, The Victor Hotel, 7258 J. Victor Street, Makati City
PRC License No: 0113153
Validity Date: until 27 June 2025
PTR Number: 9588865
TIN: 236-703-421

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

Dominador T. Gregorio III
Senior Managing Director
Unit 1404, The Victor Hotel, 7258 J. Victor Street, Makati City
PRC License No: 0057726
Validity Date: until 18 May 2025
PTR Number: 9588864
TIN: 177-088-250

MARKET VALUE APPRAISAL

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

One Ayala East Tower

Located in
Barangay San Lorenzo
Makati City, Metro Manila

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data, and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form, and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices to undertake the work required. has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.**By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

Subject : **CAI File No. 02-2023-0168-001A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition / asset for share swap transaction) use as of **16 February 2023**.

The appraised property consists of a **building (One Ayala East Tower)**, located at the **6th to 29th floors of One Ayala East Tower, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value** is defined as

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease / Rental rates of the property, and

Extent, character, and utility of the property.

.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably presented in the amount of **FIVE BILLION SIX HUNDRED EIGHTY-TWO MILLION EIGHT HUNDRED TWENTY-SIX THOUSAND (Php5,682,826,000) PESOS.**

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

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

Respectfully submitted,

CUERVO APPRAISERS, INC.

By:



HERNANDO E. GOZON, JR.

Real Estate Appraiser

PRC Registration Number: 0000231

Valid Until: 10/17/2024

IPREA Membership No. 848

PTR No. 4048006D

09 January 2023

City of Quezon

GYD:agd

CAI File No. 02-2023-0168-001A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 02-2023-0168-001A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is a building located **at the 6th to 29th floor of One Ayala East Tower, along Ayala Avenue corner Epifanio delos Santos Avenue (EDSA), Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila.**

One Ayala is bounded by Courtyard Drive on the southwest, East Street on the northwest, Ayala Avenue on the northeast, and Epifanio delos Santos Avenue (EDSA) on the southeast. It is located approximately 280 meters northeast from the intersection of Antonio Arnaiz Avenue and Epifanio delos Santos Avenue; 500 meters southeast from the intersection of Ayala and Makati Avenues; 800 meters southwest from the intersection of Buendia Avenue and Epifanio delos Santos Avenue; and about 950 meters southeast from the intersection of Ayala Avenue and Paseo de Roxas.

Epifanio delos Santos Avenue (EDSA) is 50 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the MRT Line carriageway.

Ayala Avenue is 40 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the Ayala Flyover.

Courtyard Drive and East Street are both 20 meters wide, concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

III. NEIGHBORHOOD DATA

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 50 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

SM City Makati
MRT – Ayala Station
Glorietta
Twin Towers
Pacific Plaza Condominium
The Ritz Towers
Rustan's Makati

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District. The shopping and marketing needs of the residents in the area are available in the vicinity. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the site.

III. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio delos Santos Avenue (EDSA) where the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING

The property is a portion of a building located at the 6th to 22nd of the One Ayala East Tower, containing a total floor area of 55,923.31 square meters, more or less.

This portion of the building is being leased. The leasable areas are technically identified as follows:

EAST TOWER	Multi-Tenant					Zoning
	Total					
L6	1,727.26	490.46	354.58	430.52	451.70	LZ
L7	1,603.83	490.53	354.58	430.52	328.20	LZ
L8	1,691.64	464.50	354.58	430.52	442.04	LZ
L9	1,691.64	464.50	354.58	430.52	442.04	LZ
L10	1,691.64	464.50	354.58	430.52	442.04	LZ
L11	1,691.64	464.50	354.58	430.52	442.04	LZ
L12	1,691.64	464.50	354.58	430.52	442.04	LZ
L14	1,691.64	464.50	354.58	430.52	442.04	LZ

EAST TOWER	Multi-Tenant					Zoning
	Total					
L15	1,691.64	464.50	354.58	430.52	442.04	MZ
L16	1,657.62	414.53	370.53	430.52	442.04	MZ
L17	1,744.52	414.53	457.43	430.52	442.04	MZ
L18	1,744.52	414.53	457.43	430.52	442.04	MZ
L19	1,744.52	414.53	457.43	430.52	442.04	MZ
L20	1,744.52	414.53	457.43	430.52	442.04	MZ
L21	1,744.52	414.53	457.43	430.52	442.04	MZ
L22	1,744.52	414.53	457.43	430.52	442.04	MZ
L23	1,744.52	414.53	457.43	430.52	442.04	HZ
L24	1,752.92	521.21	332.93	430.52	468.26	HZ
L25	1,840.30	608.60	332.93	430.52	468.26	HZ
L26	1,840.30	608.60	332.93	430.52	468.26	HZ
L27	1,840.30	608.60	332.93	430.52	468.26	HZ
L28	1,840.30	608.60	332.93	430.52	468.26	HZ
L29	1,840.30	608.60	332.93	430.52	468.26	HZ
TOTAL	39,996.23					

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

VI. DESCRIPTION OF THE SUBJECT BUILDING

One Ayala East Tower -

This is twenty-three (23)-level of reinforced concrete and steel frame on reinforced concrete foundation, with five (5) level podium and five (5)-level basement, and roof deck of reinforced concrete roof deck with waterproofing membrane; exposed concrete slab and gypsum board ceilings; curtain glass walls; cement plastered concrete hollow block walls and partitions; metal and steel louver doors; and plain cement concrete floors.

The common area is mostly constructed of gypsum board ceilings; cement plastered concrete hollow block walls and partitions; metal, steel and steel louver doors; ceramic tile finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms. The lobby and reception area is located on the ground floor having gypsum board ceilings; glass panel and cement plastered concrete hollow block walls; cement plastered concrete hollow block partitions; frameless glass and metal doors; and granite and ceramic tile floor finishes on concrete floors.

The tower features office units (BP O) from the 6th to the 29th floors.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities, CCTV, firefighting equipment, and 24-hour security and is serviced by eighteen (18) passenger elevators, and one (1) service elevator.

VII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

Income Capitalization Approach

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

ONE AYALA EAST TOWER

DISCOUNTED CASH FLOW ANALYSIS (DCF)

[illegible]

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.
(Marquee Mall – Pampanga)

Located in

**Barangay Pulung Maragul, Angeles City
Pampanga**

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

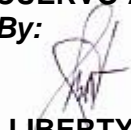
Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.**By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

Subject : **CAI File No. 02-2023-0168-002A**
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted a desk review appraisal of certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition/asset for share swap transaction) as **16 February 2023**.

The appraised property consists of **building only (Marquee Mall – Pampanga)**, located within **Barangay Pulung Maragul, Angeles City, Pampanga**.

Terms used herein are defined as follows:

Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Desk Review is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

A detailed appraisal of the property made as of 18 February 2021 under CAI File No. 11-2020-0528-010A was revalued in accordance with the prevailing market prices as of 16 February 2023. Property changes such as additions and deletions were not considered. No physical inspection was conducted this time; thus, this undertaking partake in the nature of a desk review or a "table appraisal" and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach as a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease/Rental rates of the property,

Extent, character, and utility of the property, and

Highest and best use of the property.


Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably represented in the amount of **TWO BILLION FIFTEEN MILLION THREE HUNDRED THIRTY THOUSAND (Php2,015,330,000) PESOS.**

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

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

Respectfully submitted,
CUERVO APPRAISERS, INC.

By:



HERNANDO E. GOZON, JR.

Real Estate Appraiser

PRC Registration Number: 0000231

Valid Until: 10/17/2024

IPREA Membership No. 848

PTR No. 4048006D

09 January 2023

City of Quezon

WVE:agd

CAI File No. 02-2023-0168-002A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 02-2023-0168-002A

NARRATIVE REPORT

I. GENERAL

This report covers a desk review appraisal of certain real property located within Barangay Pulung Maragul, Angeles City, Pampanga. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the said previous appraisal report, the appraised property is identified as the site of **Marquee Mall**, located **at the north corner of the North Luzon Expressway (NLEX) – Angeles Exit Road and Don Aniceto Gueco Avenue, Barangay Pulung Maragul, Angeles City, Pampanga**.

The property is across the Infinity Subdivision, Angeles City Hall Complex and Marquee Residences, approximately 100 meters southwest from the North Luzon Expressway (NLEX); 1.22 kilometers northeast from Jose P. Dizon Elementary School; 2.8 kilometers northeast from Puregold Pandan; 2.96 kilometers northeast from Saint Ignacio Subdivision; and about 3.75 kilometers northeast from the interchange of MacArthur Highway and Pandan Road.

NLEX-Angeles Exit Road and Don Aniceto Gueco Avenue are 30 and 20 meters wide, respectively. Both are concrete with asphalt overlay paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage and center-island.

The configuration of the site, as inspected, appears to conform to the lot plan as plotted based on the technical description appearing in the titles.

III. NEIGHBORHOOD DATA

The property is in an area where land development is of mixed residential and commercial use.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are asphalt paved, with widths ranging from 15 to 60 meters and lighted with streetlamps.

Some of the improvements in the vicinity are --

Angeles City Hall Complex
 Marquee Residences
 The Infinity Subdivision
 Pulong Maragul Barangay Hall
 Toyota – Angeles Pampanga, Inc.
 Marquee Place Club House
 Marquee Place Subdivision
 Santa Maria Village 2
 Angeles City National High School
 Forest Park Homes North
 Santa Teresita Elementary School

Puregold Pandan, SM City – Clark, Savers Mall and Robinsons Place Angeles serve the shopping needs of the residents in the area. These are accessible from Pandan Road by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

IV. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Angeles City and nearby towns is available along Pandan Road. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

V. LAND DATA

Based on the said appraisal report, the land consists of two (2) adjoining lots, containing an aggregate area of 54,862 square meters, technically identified as follows:

Lot No.	Survey Nos.	TCT Nos.	Area (sq.m.)
1-A	Psd-03-170696	174000	12,395
1-C	Psd-03-170696	174001	<u>42,467</u>
			Total - 54,862 sq.m.

The above certificates of title were issued by the Registry of Deeds for Angeles City in favor of the **NORTHBEACON COMMERCIAL CORPORATION**.

The land is bounded by the following properties:

Northeast	-	Lots 2, Pcs-03-014540 and 2-C, Psd-03-126460
Southeast	-	NLEX –Angeles Exit Road (Lot 5, Pcs-03-011411 and Lot 1-D)
Southwest	-	Don Anceto Gueco Avenue (Lot 5, Pcs-03-011411, Lot 1-B, and Lot 2-D, Psd-03-126460)
Northwest	-	Lots 1-A and 1-B

Attached is a plan of the property as plotted based on technical description appearing in the titles furnished to us by the client. As shown, the land is irregular in shape.

The terrain of the land is flat, uniform and at grade with the fronting roads.

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

VI. DESCRIPTION OF IMPROVEMENT

The land is improved with a building described as under:

MARQUEE MALL BUILDING

This is three (3)-storey of reinforced concrete frame and foundation, floors and stairs, and partly roof deck, of pre painted ribbed type long span metal sheet on steel frame and reinforced concrete slab roof with water proofing membrane; fiber cement board, aluminum spandrel and acoustic board on aluminum T-runner ceilings; concrete hollow block with plaster cement, stone deco, partly with granite tile and partly gypsum board with aluminum composite panel cladding interior and plaster cement and aluminum composite panel exterior finished walls; cement plastered concrete hollow block and glass panel partitions; glass on powder coated aluminum frame and concrete and steel louver type windows; steel and wood panel, plywood, PVC panel and metal flush, frameless glass and glass on powder coated aluminum panel doors; and homogenous tile, granite tile, vinyl tile, ceramic tile, carpet, steel plate, plain cement and rubberized epoxy paint finished floors.

The building is painted and complete with machinery and equipment as described in a separate cost approach valuation report. Total floor area is approximately 64,888 square meters, allocated as follows:

Floor Level	Area (sq.m.)
Ground	29,120
Second	22,880
Third	<u>12,888</u>
	Total - 64,888 sq.m.

Estimated remaining economic life is 31 years.

VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

Highest and Best Use is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

VIII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

Income Capitalization Approach

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.

4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

MARQUEE MALL

DISCOUNTED CASH FLOW VALUATION (DCF)

	2020	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Terminal Value
	ACTUAL	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES		165,418,638	168,727,011	172,101,551	175,543,582	179,054,454	182,635,543	186,288,253	190,014,019	193,814,299	197,690,585	
Less : Expenses		95,632,780	96,195,369	96,769,209	97,354,527	97,951,550	98,560,515	99,181,658	99,815,224	100,461,462	101,120,625	
NET INCOME		69,785,858	72,531,642	75,332,341	78,189,055	81,102,903	84,075,028	87,106,595	90,198,794	93,352,837	96,569,960	
Add back: Depreciation		65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	65,414,341	
NCFO		135,200,199	137,945,982	140,746,682	143,603,396	146,517,244	149,489,369	152,520,936	155,613,135	158,767,177	161,984,301	
Less: CAPEX		- 4,962,559	- 5,061,810	- 5,163,047	- 5,266,307	- 5,371,634	- 5,479,066	- 5,588,648	- 5,700,421	- 5,814,429	- 5,930,718	
NET CASH FLOW (N)		130,237,639	132,884,172	135,583,636	138,337,088	141,145,610	144,010,302	146,932,288	149,912,714	152,952,748	156,053,583	2,596,671,000
PV factor		0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF		127,411,000	119,091,000	111,314,000	104,043,000	97,249,000	90,899,000	84,956,000	79,409,000	74,228,000	69,366,000	1,057,364,000
NET PRESENT VALUE (NPV) @ 9.16% WACC	2,015,330,000											
Market Value (Php)	2,015,330,000											

MARKET VALUE APPRAISAL

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

Glorietta 1 BPO

Located in
Barangay San Lorenzo
Makati City, Metro Manila

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate, and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.**By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

Subject : **CAI File No. 02-2023-0168-003A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use as of **16 February 2023**.

The appraised property consists of a **building (Glorietta 1 BPO)**, located **at the 5th to 10th floors of Glorietta 1, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Terms used herein are defined as follows:

Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Desk Review is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

A detailed appraisal of the property made as of 31 January 2022 under CAI File No. 01-2022-0016-015A was revalued in accordance with the prevailing market prices as of 13 February 2023. Property changes such as additions and deletions were not considered. No physical inspection was conducted this time; thus, this undertaking partakes in a desk review or a "table appraisal" and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow,

Extent, character, and utility of the property, and

Lease / Rental rates of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably presented in the amount of **THREE BILLION FIFTY-SEVEN MILLION TWO HUNDRED NINETY THOUSAND (Php3,057,290,000) PESOS.**

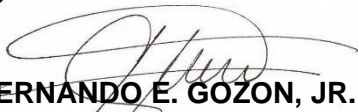
We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

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

Respectfully submitted,

CUERVO APPRAISERS, INC.

By:



HERNANDO E. GOZON, JR.

Real Estate Appraiser

PRC Registration Number: 0000231

Valid Until: 10/17/2024

IPREA Membership No. 848

PTR No. 4048006D

09 January 2023

City of Quezon

RDM:agd

CAI File No. 02-2023-0168-003A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 02-2023-0168-003A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the previous appraisal report under CAI File No. 01-2022-0016-015A, as of 31 January 2022, the appraised property consists of **a building occupied by Glorietta 1 BPO**, located **at the 5th to 10th floor of Glorietta 1, along Ayala Avenue, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Glorietta Commercial Complex is bounded by East Street on the southeast, Palm Drive on the southwest, Parkway Drive on the northwest and Ayala Avenue on the located on the north corner of Ayala Avenue on the northeast. It is located approximately 240 meters northwest from Epifanio delos Santos Avenue; 250 meters northeast from Palm Drive; 400 meters northeast from Arnaiz Avenue; 400 meters southeast from Makati Avenue; and about 800 meters southeast from Paseo de Roxas.

Palm Drive, Parkway Drive and East Street are 20 meters wide while Ayala Avenue is 30 meters wide, concreted with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

III. NEIGHBORHOOD DATA

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

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Rustan's Makati
Ritz Tower
Pacific Plaza Condominium
The Makati Tuscanny
Discovery Primea

SM Makati, Landmark and Greenbelt serve as the shopping, marketing, and commercial needs of the residents in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

III. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio delos Santos Avenue (EDSA) which is approximately 240 meters from the subject condominium building. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metro Manila Development Authority (MMDA).

V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING

The property consists of six (6) levels occupied by Glorietta 1 BPO, located on the 5th to 10th of Glorietta 1, containing a total floor area of 18,769.87 square meters, more or less.

Glorietta 1 BPO is of reinforced concrete frame on foundation, plaster cement finished concrete hollow block walls and partitions, exposed soffit slab, gypsum board on C-stud frame and acoustic fiber board on T-runner ceilings; cement plastered concrete hollow block walls; fiber cement board, laminated gypsum board, and glass panel partitions; glass on powder coated frame windows; PVC partly with glass, wood panel, metal and glass on aluminum frame doors; and ceramic tile, carpet tile, and epoxy paint finished concrete floors.

This is painted and provided with electrical, firefighting equipment, and plumbing facilities. Based on the list provided by the client, the gross leasable area is approximately 18,769.87 square meters, allocated on the next page:

Floor Level	Area (sq.m.)
5 th	3,016.40
6 th	3,159.37
7 th	3,150.63
8 th	3,143.47
9 th	3,149.70
10 th	3,150.30
Total - 18,769.87 sq.m.	

Estimated remaining economic life is 30 years.

VI. DESCRIPTION OF THE SUBJECT BUILDING

Glorietta

The vibrant convergence points of the Makati Central Business District. Strategically located near prestigious office addresses, premier hotels, and main transport terminals, Glorietta occupies a central space in the lives of those in the business district. With its wide selection of shopping, dining, and entertainment offerings organized into strategic zones, Glorietta caters to the various needs of office workers, students, friends, and families.

VII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

Income Capitalization Approach

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation. DCF analysis involves the projection of a series cash flows either to an operating property, a development property. or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

GLORIETTA 1 BPO												
DISCOUNTED CASH FLOW VALUATION (DCF)		1	2	3	4	5	6	7	8	9	10	
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Terminal Value
		FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES		273,427,182	312,203,103	326,723,492	342,512,172	359,075,402	363,231,222	373,884,232	384,843,338	396,117,052	407,714,111	
Less: Expense		122,768,730	135,713,457	138,079,950	142,510,688	148,196,797	149,818,278	153,542,487	157,414,401	161,402,519	165,510,310	
NET INCOME		150,658,452	176,489,646	188,643,543	200,001,484	210,878,605	213,412,944	220,341,745	227,428,936	234,714,533	242,203,801	
Add back: Depreciation		19,665,708	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	19,725,680	
NCFO		170,324,160	196,215,326	208,369,223	219,727,164	230,604,286	233,138,625	240,067,425	247,154,617	254,440,213	261,929,481	
CAPEX		- 11,530,457	- 13,388,151	- 14,057,585	- 14,760,458	- 15,498,468	- 15,644,153	- 16,113,478	- 16,596,882	- 17,094,789	- 17,607,633	
Net Cash Flow (NCF)		158,793,703	182,827,175	194,311,638	204,966,706	215,105,818	217,494,471	223,953,947	230,557,734	237,345,424	244,321,849	4,085,252,000
PV factor		0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF		155,348,000.00	163,850,000.00	159,530,000.00	154,155,000.00	148,208,000.00	137,283,000.00	129,490,000.00	122,126,000.00	115,184,000.00	108,601,000.00	1,663,515,000
NET PRESENT VALUE (NPV) @ 9.16% WACC	3,057,290,000											
Market Value (Php)	3,057,290,000											

MARKET VALUE APPRAISAL

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

Glorietta 2 BPO

Located in
Barangay San Lorenzo
Makati City, Metro Manila

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.**By:****LIBERTY SANTIAGO-AÑO, IPA, MRICS***Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

Subject : **CAI File No. 02-2023-0168-004A**
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted a desk review appraisal of certain real property exhibited to us by **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition / asset for share swap transaction) as of **16 February 2023**.

The appraised property consists of a **building of Glorietta 2 BPO**, located at the **5th to 11th floors of Glorietta 2, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Terms used herein are defined as follows:

Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Desk Review is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

A detailed appraisal of the property made as of 21 January 2022 under CAI File No. 01-2022-0016-0016 was revalued in accordance with the prevailing market prices as of 16 February 2023. Property changes such as additions and deletions were not considered. No physical inspection was conducted this time; thus, this undertaking partakes the nature of a desk review or a "table appraisal" and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease / Rent rates of the property,

Extent, character, and utility of the property, and

Highest and best use of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably presented in the amount of **THREE BILLION TWO HUNDRED THIRTY-FOUR MILLION SIX HUNDRED EIGHTY-FIVE THOUSAND (Php3,234,685,000) PESOS.**


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

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

Respectfully submitted,

CUERVO APPRAISERS, INC.

By:



HERNANDO E. GOZON, JR.

Real Estate Appraiser

PRC Registration Number: 0000231

Valid Until: 10/17/2024

IPREA Membership No. 848

PTR No. 4048006D

09 January 2023

City of Quezon

RDM:agd

CAI File No. 02-2023-0168-004A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 02-2023-0168-004A

NARRATIVE REPORT

I. GENERAL

This report covers a desk review appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the previous appraisal report with CAI File No. 01-2022-0016-0016 as of 31 January 2022, the appraised property is a building, located **at the 5th to 11th floors of Glorietta 2, along Ayala Avenue, within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Glorietta Commercial Complex is bounded by East Street on the southeast, Palm Drive on the southwest, Parkway Drive on the northwest and Ayala Avenue on the located on the north corner of Ayala Avenue on the northeast. It is located approximately 240 meters northwest from Epifanio delos Santos Avenue; 250 meters northeast from Palm Drive; 400 meters northeast from Arnaiz Avenue; 400 meters southeast from Makati Avenue; and about 800 meters southeast from Paseo de Roxas.

Palm Drive, Parkway Drive and East Street are 20 meters wide while Ayala Avenue is 30 meters wide, concreted with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

III. NEIGHBORHOOD DATA

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

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 20 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Rustan's Makati
Ritz Tower
Pacific Plaza Condominium
The Makati Tuscanny
Discovery Primea

SM Makati, Landmark and Greenbelt serve as the shopping, marketing and commercial needs of the residents in the area. These are short distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

IV. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Ayala Avenue. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

V. DESCRIPTION OF THE SUBJECT PORTION OF BUILDING

The property is a building located on the 5th to 11th floors of Glorietta 2 - BPO, containing a total floor area of 21,256.23 square meters, more or less.

This portion of the building is being leased by BPOs, with interior finishes technically described as follows:

5th Floor

Interior finishes consist of exposed soffit slab ceiling, cement plastered concrete hollow block walls; double walled gypsum board on c-stud frame with decorative wood plank and brick tile finished partitions; fixed glass and glass on powder coated frame windows; PVC panel, glass panel and glass on frameless doors; and partly ceramic tile and mainly carpet tile finished concrete floor.

6th to 10th Floors

Interior finishes consist of gypsum board on C-stud frame and acoustic fiber board on T-runner ceilings; cement plastered concrete hollow block walls; double walled gypsum board on c-stud frame and fixed glass on wood and aluminum frame partitions; fixed glass and glass on powder coated frame windows; wood panel and frameless glass doors; and ceramic tile, laminated vinyl tile and partly carpet tile finished concrete floor.

11th Floor

Interior finishes consist of gypsum board on C-stud frame and acoustic fiber board on T-runner ceiling; cement plastered concrete hollow block walls; double walled gypsum board on c-stud frame and fixed glass on wood and aluminum frame partitions; fixed glass and glass on powder coated frame windows; wood panel and frameless glass doors; and ceramic tile, laminated vinyl tile and partly carpet tile finished concrete floor.

These units are painted and provided with electrical lighting, firefighting, and plumbing facilities. Total floor area is approximately 21,256.23 square meters, allocated as follows:

Floor Level	Area (sq.m.)
5 th	3,037.23
6 th	3,042.00
7 th	3,040.00
8 th	3,038.00
9 th	3,037.00
10 th	3,033.00
11 th	<u>3,029.00</u>
Total - 21,256.23 sq.m.	

Estimated remaining economic life is 30 years.

VI. DESCRIPTION OF THE BUILDING**Glorietta 2**

The vibrant convergence points of the Makati Central Business District. Strategically located near prestigious office addresses, premier hotels, and main transport terminals, Glorietta 2 occupies a central space in the lives of those in the business district. With its wide selection of shopping, dining, and entertainment offerings organized into strategic zones, Glorietta caters to the various needs of office workers, students, friends, and families.

VII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

Income Capitalization Approach

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation. DCF analysis involves the projection of a series cash flows either to an operating property, a development property. or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

GLORIETTA 2 BPO												
DISCOUNTED CASH FLOW (DCF) VALUATION												
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Terminal Value
		FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES		320,375,473	336,433,392	351,657,569	367,596,452	384,283,535	395,666,818	407,382,530	419,440,167	431,849,487	444,620,516	
Less: Expense		143,607,601	149,292,486	154,791,942	160,539,231	166,554,837	170,827,104	175,203,641	179,716,887	184,371,177	189,170,989	
NET INCOME		176,767,872	187,140,905	196,865,627	207,057,221	217,728,698	224,839,714	232,178,889	239,723,280	247,478,309	255,449,526	
Add back: Depreciation		21,373,762	21,377,523	21,444,181	21,512,839	21,583,557	21,583,557	21,583,557	21,583,557	21,583,557	21,583,557	
NCFO		198,141,633	208,518,428	218,309,808	228,570,061	239,312,255	246,423,271	253,762,446	261,306,837	269,061,867	277,033,084	
Less: CAPEX		13,850,953	14,567,881	15,239,440	15,942,882	16,679,703	17,180,095	17,695,497	18,226,362	18,773,153	19,336,348	
NCF		184,290,681	193,950,547	203,070,368	212,627,179	222,632,551	229,243,177	236,066,949	243,080,475	250,288,713	257,696,736	4,308,890,000
PV factor		0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF		180,291,572.83	173,818,480.40	166,720,772.40	159,916,901.36	153,393,827.84	144,698,293.18	136,493,909.77	128,759,727.62	121,465,112.63	114,546,199.04	1,754,580,008
NET PRESENT VALUE (NPV) @ 9.16% WACC	3,234,684,805											
Market Value (Php)	3,234,685,000											

MARKET VALUE APPRAISAL

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

Glorietta 1 and 2 Mall

Located in
Ayala Center
Makati City, Metro Manila

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form, and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu, and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.**By:**
LIBERTY SANTIAGO-AÑO, IPA, MRICS*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

Subject : **CAI File No. 02-2023-0168-005A**
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted a desk review appraisal of certain real property exhibited to us by **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition / asset for share swap transaction) as of **16 February 2023**.

The appraised property consists of **building of the Glorietta 1 and 2 Mall**, located in **Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

Terms used herein are defined as follows:

Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Desk Review is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements, and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

A detailed appraisal of the property made as of 19 March 2021 under CAI File No. 11-2020-0528-023A1 was revalued in accordance with the prevailing market prices as of 16 February 2023. Property changes such as additions and deletions were not considered. No physical inspection was conducted this time; thus, this undertaking partakes in the nature of a desk review or a "table appraisal" and is rendered as such.

We investigated local market condition, and gave consideration to the --

Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow,

Lease/Rental rates of the property, and

Extent, character, and utility of the property.


Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably represented in the amount of **THREE BILLION FIVE HUNDRED FOUR MILLION TWENTY SIX THOUSAND (Php3,504,026,000) PESOS.**

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

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

Respectfully submitted,
CUERVO APPRAISERS, INC.

By:


HERNANDO E. GOZON, JR.
Real Estate Appraiser
PRC Registration Number: 0000231
Valid Until: 10/17/2024
IPREA Membership No. 848
PTR No. 4048006D
09 January 2023
City of Quezon

RDM:agd

CAI File No. 02-2023-0168-005A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 02-2023-0168-005A

NARRATIVE REPORT

I. GENERAL

This report covers a desk review appraisal of certain real property located in Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. Fee Simple is defined as the absolute fee without limitation to any class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the previous appraisal report with CAI File No. 11-2020-0528-023AC and BC as of 19 March 2021, the appraised property is the **Glorietta 1 & 2 Mall**, located in **Glorietta Shopping Mall Complex, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The site of Glorietta Shopping Mall Complex is bounded by Office Drive on the northeast; Courtyard Drive and East Street on the southeast; Palm Drive on the southwest; and West Street and Parkway Drive on the northwest. This complex is located approximately 120 meters northeast from Antonio S. Arnaiz Avenue; 300 meters southwest from Ayala Avenue; and about 600 meters northwest from the intersection of Epifanio delos Santos Avenue (EDSA) and Ayala Avenue.

Office Drive, Courtyard Drive, East Street, Palm Drive, West Street and Parkway Drive are 15 meters wide, concrete-paved with asphalt overlay and provided with concrete curbs and gutters, and underground drainage.

III. NEIGHBORHOOD DATA

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

Generally, the streets in the neighborhood are designed to accommodate light to heavy vehicular and pedestrian traffic loads. Major thoroughfares are asphalted, with widths ranging from 10 to 50 meters and lighted with streetlamps.

Some of the improvements in the vicinity are --

SM City - Makati
Pacific Plaza Condominium
The Landmark
Greenbelt
Pacific Plaza Condominium
Ritz Towers
Makati Shangri-La

Ayala Center serves the shopping needs of the residents in the area. These is accessible from Ayala Avenue by public transportation. Other community centers like the post office, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

IV. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Makati City, as well as Metro Manila is available along Ayala Avenue which is 120 meters from the shopping mall complex. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

V. LAND DATA

Based on previous appraisal report, and as per client information on the complex area, the whole shopping complex where the subject building lies has a total land area of 250,000-square meter, more or less.

Attached is a copy of the site development plan of the property as plotted based on the previous report. As shown, the site of the shopping mall complex is bounded by Office Drive on the northeast; Courtyard Drive and East Street on the southeast; Palm Drive on the southwest; and West Street and Parkway Drive on the northwest.

The terrain of the land is flat, and above the grade of the fronting avenues.

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

Government Assessment

BIR Zonal Value of Real Property within Barangay San Lorenzo (Legaspi Village), Makati City per Department Order No. 037-2021, effective 22 December 2021:

Street Name	Vicinity	Classification	7th Revision Zonal Value (Php/sq.m.)
East Drive	Ayala Center	Commercial	750,000

VI. DESCRIPTION OF THE BUILDINGS**Glorietta Shopping Malls (Glorietta 1 to 5)**

Glorietta 1,2, 3 and 5 are three (3)-storey integrated malls, except for Glorietta 4 which is five(5) storey mall, of reinforced concrete-framed building with basement parking and roof deck, having rib-type long span iron sheet on steel frame and reinforced concrete slab roofing with water proofing membrane; fibered cement board, steel panel, aluminum panel and acoustic board on aluminum T-runner ceilings; cement plastered concrete hollow block partly with granite tile finish partly gypsum board with aluminum composite panel cladding interior walls; cement plastered concrete hollow block and aluminum composite panel exterior walls; cement plastered concrete hollow block, fixed tampered glass and glass on aluminum frame partitions; glass on aluminum powder coated and steel louver windows; steel plate, wood panel. plywood flush, metal flush, frameless glass and glass on aluminum powder coated doors; granite, glazed, vinyl and ceramic tiles, and plain cement on epoxy paint finished concrete floors.

The building is painted and provided with electrical, plumbing and telecommunication facilities, elevators, escalators, firefighting equipment, standby generator set and centralized air conditioning.

The total floor area of Glorietta 1 to 5 Malls is approximately 199,648 square meters.

Note: Only Glorietta 1 and 2 were considered in the discounted cash flow analysis valuation.

VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

Highest and Best Use is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

VIII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

Income Capitalization Approach

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

GLORIETTA 1 & 2 MALL												
DISCOUNTED CASH FLOW VALUATION (DCF)												
		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
		FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES		259,775,931	266,270,330	272,927,088	279,750,265	286,744,022	293,912,622	301,260,438	308,791,949	316,511,747	324,424,541	
Less: Expenses		94,323,337	95,056,798	95,808,596	96,579,189	97,369,046	98,178,650	99,008,494	99,859,084	100,730,939	101,624,590	
NET INCOME		165,452,594	171,213,531	177,118,492	183,171,076	189,374,976	195,733,972	202,251,944	208,932,865	215,780,809	222,799,951	
Add back: Depreciation		61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	61,471,893	
NCFO		226,924,487	232,685,424	238,590,385	244,642,969	250,846,869	257,205,865	263,723,837	270,404,758	277,252,702	284,271,844	
Less: CAPEX		(7,793,278)	(7,988,110)	(8,187,813)	(8,392,508)	(8,602,321)	(8,817,379)	(9,037,813)	(9,263,758)	(9,495,352)	- 9,732,736	
NCF		219,131,209	224,697,314	230,402,572	236,250,461	242,244,548	248,388,487	254,686,024	261,140,999	267,757,349	274,539,108	4,568,223,797
PV factor		0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF		214,376,000	201,374,000	189,161,000	177,684,000	166,906,000	156,783,000	147,259,000	138,326,000	129,943,000	122,033,000.00	1,860,181,000
NET PRESENT VALUE (NPV) @ 9.16% WACC	3,504,026,000											
Market Value (Php)	3,504,026,000											

MARKET VALUE APPRAISAL

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

One Ayala West Tower

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

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 06 March 2023. Our Independent Valuation Report was made based on certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 42 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required. The company is accredited with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.**By:**
LIBERTY SANTIAGO-AÑO, IPA, MRICS*Vice President and General Manager*

Real Estate Appraiser

Valid until: 07/17/2023

PRC Registration Number: 0000167

IPREA Membership No. 849

PTR No. 0182776

09 January 2023

City of Pasig

06 March 2023

AREIT FUND MANAGERS, INC.

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

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

Subject : **CAI File No. 02-2023-0168A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate reference use (asset acquisition / asset for share swap transaction) as of **16 February 2023**.

The appraised property consists of **a building (One Ayala West Tower)**, located at **the 6th to 22nd floors of One Ayala West Tower, Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

The term **Market Value** is defined as-

the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

In the market value appraisal of any fixed land improvement, the land where the said improvement stands must be included to satisfy its definition. Being an appraisal of fixed improvement only, this undertaking partakes the nature of a fractional appraisal and is rendered as such.

We investigated local market conditions, and considered the –

Income Approach as a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value,

Discounted Cash Flow Analysis,

Lease / Rental rates of the property, and

Extent, character, and utility of the property.

Premised on the foregoing, and as supported by the accompanying narrative report, it is our opinion that the **market value** of the property appraised as of **16 February 2023** is reasonably presented in the amount of **FOUR BILLION NINE HUNDRED NINETY-FOUR MILLION SIXTY-THREE THOUSAND (Php4,994,063,000) PESOS.**

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

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

Respectfully submitted,

CUERVO APPRAISERS, INC.

By:


HERNANDO E. GOZON, JR.
Real Estate Appraiser
PRC Registration Number: 0000231
Valid Until: 10/17/2024
IPREA Membership No. 848
PTR No. 4048006D
09 January 2023
City of Quezon

GYD:agd

CAI File No. 02-2023-0168A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. ***Cuervo Appraisers, Inc.***, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
3. Any erasure on appraisal date and/or value invalidates this valuation report.
4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc.***

CAI File No. 02-2023-0168A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of certain real property located within Barangay San Lorenzo, Makati City, Metro Manila. The appraisal was made for the purpose of expressing an opinion on the **market value** of the property as of **16 February 2023**.

The term **Market Value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances, and that fee simple ownership is transferable.

The rights appraised in this report are property rights in fee simple, free, and clear. **Fee Simple** is defined as the absolute fee without limitation to any class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property consists of **a building**, located **at the 6th to 22nd floor of One Ayala West Tower, along Ayala Avenue corner Epifanio delos Santos Avenue (EDSA), within Ayala Center, Barangay San Lorenzo, Makati City, Metro Manila**.

One Ayala Avenue is bounded by Courtyard Drive on the southwest, East Street on the northwest, Ayala Avenue on the northeast, and Epifanio delos Santos Avenue (EDSA) on the southeast. It is located approximately 280 meters northeast from the intersection of Antonio Arnaiz Avenue and Epifanio Delos Santos Avenue; 500 meters southeast from the intersection of Ayala and Makati Avenues; 800 meters southwest from the intersection of Buendia Avenue and Epifanio Delos Santos Avenue; and about 950 meters southeast from the intersection of Ayala Avenue and Paseo de Roxas.

Epifanio delos Santos Avenue (EDSA) is 50 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the MRT Line carriageway.

Ayala Avenue is 40 meters wide, asphalt paved and provided with concrete curbs and gutters, concrete sidewalks, underground drainage, and center island. Above the center line is the Ayala Flyover.

Courtyard Drive and East Street are both 20 meters wide, concrete paved and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

III. NEIGHBORHOOD DATA

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete paved, with widths ranging from 15 to 50 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

SM City Makati
MRT – Ayala Station
Glorietta
Twin Towers
Pacific Plaza Condominium
The Ritz Towers
Rustan's Makati

The Ayala Center is a major commercial development operated by Ayala Land, located in the Makati Central Business District. The shopping and marketing need of the residents in the area are available within the vicinity. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and private and public schools are likewise accessible from the said thoroughfare.

III. COMMUNITY FACILITIES AND UTILITIES

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

Public transportation connecting to various sections of Makati City as well as to the other parts of Metro Manila is available along Epifanio delos Santos Avenue (EDSA) where the subject property fronts. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government and the Metropolitan Manila Development Authority (MMDA).

V. DESCRIPTION OF THE SUBJECT BUILDING

Based on the list provided to us by the client, the appraised property is a building, located at the 6th to 22nd of the One Ayala West Tower, containing a total floor area of 41,083 square meters, more or less.

This portion of the building is being leased. The leasable areas are technically identified as under:

WEST TOWER	Multi-Tenant					Zoning
	Total					
L6	1,023.11	427.44	595.67	-	-	LZ
L7	1,881.57	395.42	595.75	377.67	512.73	LZ
L8	1,990.87	395.42	521.82	551.49	522.13	LZ
L9	1,990.87	395.42	521.82	551.49	522.13	LZ
L10	1,990.87	395.42	521.82	551.49	522.13	LZ
L11	1,990.87	395.42	521.82	551.49	522.13	LZ
L12	1,990.87	395.42	521.82	551.49	522.13	LZ
L14	1,990.87	395.42	521.82	551.49	522.13	LZ

WEST TOWER	Multi-Tenant					Zoning
	Total					
L15	1,990.87	395.42	521.82	551.49	522.13	HZ
L16	1,929.94	395.42	478.78	533.60	522.13	HZ
L17	2,038.06	395.42	566.44	554.07	522.13	HZ
L18	2,038.06	395.42	566.44	554.07	522.13	HZ
L19	2,038.06	395.42	566.44	554.07	522.13	HZ
L20	2,038.06	395.42	566.44	554.07	522.13	HZ
L21	2,038.06	395.42	566.44	554.07	522.13	HZ
L22	2,038.06	395.42	566.44	554.07	522.13	HZ
TOTAL	30,999.07					

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

VI. DESCRIPTION OF THE SUBJECT PORTION OF THE BUILDING

One Ayala West Tower 1

The property is One Ayala West Tower, which is sixteen (16)-storey of reinforced concrete and steel frame on reinforced concrete foundation, with five (5) level podium and five (5)-level basement and roof deck, of reinforced concrete roof deck with waterproofing membrane; exposed concrete slab and gypsum board ceilings; curtain glass walls; cement plastered concrete hollow block walls and partitions; metal and steel louver doors; and plain cement concrete floors.

The common area is mostly constructed of gypsum board ceilings; cement plastered concrete hollow block walls and partitions; metal, steel and steel louver doors; ceramic tile finish on concrete floors; and ceramic tile wall to floor finish on comfort rooms. The lobby and reception area is located on the ground floor having gypsum board ceilings; glass panel and cement plastered concrete hollow block walls; cement plastered concrete hollow block partitions; frameless glass and metal doors; and granite and ceramic tile floor finishes on concrete floors.

This is painted and provided with electrical lighting, plumbing, telecommunication facilities, CCTV, firefighting equipment, and 24-hour security and is serviced by twelve (12) passenger and one (1) service elevators. The total gross floor area for West Tower is reportedly 41,082.96 square meters.

The building considered in this valuation is used as offices (BPO) from 6th to 22nd floors.

VII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, and discounted cash flow analysis. These methods are based on an analysis of a property's operating income.

Income Capitalization Approach

This is a comparative approach to value that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a defined value type by converting an income amount into a value estimate.

Discounted Cash Flow (DCF) Analysis

This is a financial modeling technique based on explicit assumptions regarding the prospective cash flow to a property or business. As an acceptable methodology within the income approach valuation, DCF analysis involves the projection of a series cash flows either to an operating property, a development property, or a business. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property or business.

In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. The series of periodic net operating incomes, along with an estimate of the reversion terminal value/exit value, anticipated at the end of the projection period, is then discounted.

Considering these factors, we used a discounted cash flow analysis over a 9.25-year investment period. The discounted cash flow analysis to determine the market value adapting the computed NPV of the property (based on its projected income) is contingent on the following assumptions:

1. The revenue, operating expense, and net income projections, net cash flow (NCF), free cash flow to the firm (FCFF), and net present value (NPV) used in this valuation were based on the information (accounting data) provided to us through email by the client's representative.
2. Cash flow projection period is 9.25 years. (From 01 October 2023 to 31 December 2032).
3. The discount rate used is 9.16% based on data provided to us by the client.
4. The capitalization rate used is 6.16% based on data provided to us by the client.
5. For determining the terminal value, the income capitalization approach was used. The Net Cash Flow (NCF) at the end of the 9.25-year period was capitalized using the capitalization rate, and then discounted at 10.25-year period, as per data (information) provided to us by the client.
6. The FCFF for each year, and the present value of the terminal value are then totaled to determine the NPV. As per accounting data provided to us by the client, the depreciation was not considered in determining the NPV.
7. The Market Value, prospective as of 01 October 2023, is represented by the fair value as based on NPV.

Based on the above information, we have prepared a Discounted Cash Flow Analysis, shown as follows:

ONE AYALA WEST TOWER													
DISCOUNTED CASH FLOW VALUATION (DCF)													
			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Terminal Value
			FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	@ 6.16% cap rate
GROSS REVENUES			475,368,091	519,806,723	545,820,106	575,697,833	601,654,752	597,917,471	616,464,625	635,592,578	655,319,730	675,665,072	
Less: Expenses			262,831,736	278,864,112	287,804,958	297,787,572	306,911,344	306,181,778	312,709,439	319,570,836	326,650,614	333,955,828	
NET INCOME AFTER TAX			212,536,355	240,942,612	258,015,148	277,910,260	294,743,408	291,735,693	303,755,186	316,021,742	328,669,116	341,709,245	-
Add back: Depreciation			82,493,401	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	82,505,901	
NCFO			295,029,756	323,448,513	340,521,049	360,416,161	377,249,309	374,241,595	386,261,087	398,527,643	411,175,017	424,215,146	
CAPEX			- 12,996,245	- 14,281,159	- 14,897,633	- 15,580,025	- 16,291,096	- 26,847,727	- 27,653,159	- 28,482,753	- 29,337,236	- 30,217,353	
NCF			282,033,511	309,167,354	325,623,416	344,836,136	360,958,213	347,393,868	358,607,929	370,044,890	381,837,781	393,997,793	6,587,950,000
PV factor			0.9783	0.8962	0.8210	0.7521	0.6890	0.6312	0.5782	0.5297	0.4853	0.4445	0.4072
FCFF			275,913,383.68	277,075,782.44	267,336,824.69	259,351,258.09	248,700,208.51	219,275,009.35	207,347,104.31	196,012,778.31	185,305,875.28	175,132,018.92	2,682,613,000
NPV @ 9.16% WACC			4,994,063,244										
Market Value (Php)			4,994,063,000										